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21 January 1982

## LATIN AMERICA REPORT

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## BRIEFS

YPFB 5-YEAR PROGRAM--The Bolivian Hydrocarbon and Energy Ministry reported today that the objective of the YPFB [Bolivian Government Oil Deposits] 1981-1985 program calls for the discovery of new hydrocarbon reserves totaling 90 million barrels. The plan also calls for increasing the national production of oil and condensed and liquid gas. [Buenos Aires TELAM in Spanish 1830 GMT 2 Dec 81 PY]

CSO: 3010/597

## BRIEFS

OIL WELL DRILLING--Petrobras has announced that since oil exploration in the Rio Grande do Norte State resumed in 1979 123 oil wells have been drilled, 117 more will have been drilled by the beginning of 1982, and another 223 in the 1982-85 period. Over the 1981-1985 period total of 340 oil wells will have been drilled in that state. [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Nov 81 p 26]

OIL, GAS RESERVES--Petrobras President Shigeaki Ueki has reported a 7.8 percent oil reserves increase in 1981, to 1,444,000 barrels, and 8.2 percent gas reserves increase, to 56,831,000 cubic meters. This year 220 million barrels of oil and gas worth \$8 billion has been discovered. [Sao Paulo FOLHA DE SAO PAULO in Portuguese 22 Dec 81 p 19]

ALCOHOL-DRIVEN TRACTOR--The Brazilian Tractor Company (CBT) has begun to offer for sale a 112 hp tractor which runs on alcohol. The CBT recommends this tractor exclusively for operation in sugar and alcohol agroindustries. [Rio de Janeiro JORNAL DO BRASIL 16 Dec 81 p 19]

1982 ITAIPU BUDGET--The Itaipu Binational Enterprise 1982 budget will amount to \$2,042,302,700, of which \$625 million will go to service financial obligations and \$1,417,000,000 in investments. [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Dec 81 p 28]

OIL RESERVES--Mines and energy Minister Cesar Cals has revealed that Brazil's oil reserves now stands at 1,600 billion barrels. This is mostly due to a discovery in the Campos Basin, off the Rio De Janeiro coast. [Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Nov 81 p 15 PY]

LOAN CONTRACT--Eletrosul [Southern Electric Power Plants] President Thelmo Thompson Flores today signed a \$130 million loan contract with a consortium of European companies formed by the Skodasport, Deutsche Babcock and Andalso Impianti. This loan will buy equipment for the thermoelectric plant Jorge Lacerda 4, in Tubarao, Santa Catarina State. [Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Dec 81 p 19]

CSO: 3001/58

## COAL RESERVES EXPECTED TO EASE ENERGY PROBLEM

Lima EL COMERCIO in Spanish 11 Dec 81 p A-20

[Text] Trujillo--The energy problem stemming from the shortage and high cost of petroleum, experienced all over the world, could be alleviated in Peru with the coal reserves it possesses, particularly in the department of La Libertad. This assertion was made at the Fourth National Chemical Engineering Conference.

It was revealed that Peru is in 17th place in the world in terms of coal reserves, estimated at 1.1 billion metric tons.

It was stated that coal is thus one of the country's most important energy sources, and can be used principally in what is known as the first horizon, that is, within 10 or 20 years. It will be possible to exploit these deposits or in to the 21st century, when the second horizon will be utilized.

Meanwhile, in Ica, Hugo Delgado Beravente stated in a lecture he gave at San Luis Gonzaga University that by the year 2000, coal will be a much more important source of energy than it is today, because it can be used to produce gasoline, lubricating oils and synthetic gas. The latter can be used in land transportation by means of technology already in use in South Africa, where more than 40 percent of the fuel consumed comes from this source.

At the Fourth Chemical Engineering Conference, the government's founding of the so-called "Pro-Coal" agency for the development and marketing of this fuel was hailed. This agency will be charged with studying coal as an energy source and will carry out the Alto Chicama Project, which is linked to the development of the nation and of the department of La Libertad.

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CSO: 3010/578

## LAUNCHING OF TAURO-9 ROCKETS SUCCESSFUL

PY241844 Buenos Aires TELAM in Spanish 2257 GMT 10 Dec 81

[Text] Chamical (La Rioja), 10 Dec (TELAM)--Colonel Edgardo Stahl, director of the Institute of Aeronautics and Space Research [IIAE], termed successful the launching of the Tauro-9 rocket today from CELPA-1 [expansion unknown] of the military airbase in this city in the Province of La Rioja.

The launch took place at 1500, after one postponement due to severe weather conditions and was observed by a delegation of high-ranking officers of the air force, army and navy.

Due to its results, today's experience closes the use of the Tauro rockets series as a vehicle suitable for the development of the first stage of the national plan for the evaluation of natural resources.

The Tauro-9 rocket, with two stages with a weight of 98 kg and an 8-minute flight time which took it to 130 km in altitude, fully fulfilled all tests to which it was submitted, including the events and alternatives it was transmitting by telemetric signals for recording by ground stations installed in the casemate of the launching pad and in neighboring zones, and also the trajectory, which was followed by a network of radars.

Equipped with a photographic camera in the nose, the rocket was taking pictures at different altitudes while rising and descending, with the objective of locating and evaluating natural resources, which will be then interpreted by a team of experts in the subject.

In a talk with TELAM, the IIAE director expressed satisfaction over the results of the test and of the rocket's behavior at this stage of the program.

We spent 2 years of intensive work in which all personnel affected by the project put out their best efforts to achieve this successful result, Colonel Stahl stated.

He announced that next year, and within the same national plan of detecting and evaluating natural resources, a rocket project of the Sirio 200/300 type will be developed. This means, the colonel explained, raising a payload of 200 kg to an altitude of 300 km, the tests for which were carried out by the CELPA-1, under conditions of security.

When we move to the future types of longer-range rockets, perhaps we will have to choose a much narrower strip, but we feel that until 1985, the experimental launching center for self-propelled rockets [centro experimental de lanzamiento de proyectiles autopropulsados] will be suitable for these tests.

COUNTRY SECTION

ARGENTINA

BRIEFS

UNIONS' BYLAWS APPROVED--Buenos Aires, 30 Dec (TELAM)--The Labor Ministry today approved the statutes of 13 union organizations and granted field of action to 85 others, thus accomplishing an important stage in the process of normalization of labor union organizations. One of the unions which had its field of action approved is the trade employees federation, which has over 120,000 members. [Text] [PY311749 Buenos Aires TELAM in Spanish 2221 GMT 30 Dec 81]

CSO: 3010/598



## BRIEFS

MNRU LEADER ON DIALOGUE--La Paz, 5 Jan 82 (TELAM)--Jorge Lema Patino, a Bolivian political leader and former minister, has stressed on behalf of the United Nationalist Revolutionary Movement (MNRU)--now in recess--the need for a sincere and constructive dialogue to overcome the country's present situation. Lema Patino, a former minister during Gen Hugo Banzer Suarez' administration, pointed out that the principles which have been applied as of July 1980 have taken Bolivia to the brink of an economic collapse, a moral breakdown and a social confrontation. He also asserted that the unilateral policy which is being applied by Gen Celso Torrello Villa's administration will not promote a just solution to the serious national problems. The leader pointed out that he will vigorously stimulate a political understanding which would be conducive to building a pluralist, strong and responsible democracy, which would be capable of restoring freedom and of establishing social justice in the country. [Text] [PY062035 Buenos Aires TELAM in Spanish 1450 GMT 5 Jan 82]

CSO: 3010/597

## GUERREIRO ANALYZES 1981 FOREIGN POLICY, VIEWS 1982

Brasilia CORREIO BRAZILIENSE in Portuguese 13 Dec 81 p 32

["Highlights" of interview with Foreign Affairs Minister Ramiro Elysio Saraiva Guerreiro on 12 December in Brasilia: "Guerreiro Sees 1981 as Difficult Year"; name of interviewer not given]

[Text] During a year of tension, in which world conditions at times went through severe difficulties, Brazil's foreign policy, conducted by Foreign Affairs Minister Saraiva Guerreiro, put Brazil in a firm, balanced and respected position in its foreign affairs. "Without seeking positions of leadership or any other type of influence, Brazil's foreign policy, based upon one of the guidelines recommended by President Joao Figueiredo--universalism--acted throughout 1981 in a spirit of peaceful coexistence and with an attitude of consistency and reliability," Minister Saraiva Guerreiro said yesterday.

In analyzing Brazilian foreign policy this year, Minister Saraiva Guerreiro said that, although 1981 had been a difficult year in terms of international conditions, Brazil's relations with the various countries remained very good, especially in geographical areas of priority where the government has been maintaining more direct and immediate contact, such as Latin America.

Including chiefs of state, foreign ministers and other cabinet members, vice presidents and other authorities, Brazil hosted 63 visits this year, which Guerreiro considered "a really extraordinary rate," when compared with the 49 that took place last year. The foreign affairs minister considers this an indication, although a very superficial one, of the growing interest of other countries in their relations with Brazil and also of the vigor of Brazil's foreign policy, which is conducted in a balanced, rather than dramatic, way.

Highlights of the interview are the following:

[Question] Mr Minister, analyzing Brazilian foreign policy, what aspects would you stress as most favorable for Brazilian diplomacy in 1981?

[Answer] From the viewpoint of world events, it was a difficult year, a year of tension. But Brazil's relations with the various countries remained very good in those geographical areas where we have more direct, more immediate contact and that are of priority for us.

Let's look at relations with Latin America, for example. There were outstanding events, such as the president's visit to Colombia. It was the first time a president of Brazil had visited Colombia.

Our president also visited Peru, a trip in June of this year characterized by a number of agreements of understanding useful to both countries.

Likewise, the president had a working meeting at the border, in the Argentine city of Passos de Los Libres, with Argentine President Viola, thus continuing the series of visits and meetings that have demonstrated the excellence of the current stage of relations with Argentina.

Furthermore, Luiz Herra Campins, president of Venezuela, was here during August.

We realize there are tensions, serious tensions in our region and Brazil has taken an attitude of scrupulous respect for the principle of nonintervention and an attitude of cooperation whenever possible, as it demonstrated once again during the recent OAS assembly in St. Lucia, a new state of the Caribbean.

On that occasion we had to deal with some particularly delicate subjects in a very informal way and our position, I would say, was--under the circumstances--proper, with the balance and thoughtfulness it has demonstrated and that have been respected by all sides on all positions.

[Question] How were relations with the United States?

[Answer] In our relations with the United States, as a new president took office there, there were several meetings, including a visit here by U.S. Vice President George Bush. I met several times in Cancun, at the UN General Assembly and, more recently, at the OAS assembly with Secretary of State Alexander Haig. We have several problems, especially in the trade area, with the United States but we have tried to resolve them, bypass them and keep them from getting worse through negotiations and meetings.

[Question] Was there any development in relations with Africa?

[Answer] In regard to our neighbors on the other side of the Atlantic, the Africans, our policy, our relations have also been marked by increasing cooperation and constantly better understanding.

I had the opportunity to visit Nigeria on the occasion of the joint commission's meeting. It was a very interesting visit. I also visited Senegal and, in October, we received here the visit of Mali's president. We were also visited by the Congo minister of the interior, Mozambican Foreign Minister Joaquim Alberto Chissano. And they were all very useful visits that showed, at all times, a level of relations that could be called privileged.

[Question] What about relations with Europe, the Middle East, Far East and Oceania?

[Answer] In the case of Europe, one need only recall the president's visits to the FRG, to France, to Portugal this year and several contacts at the ministerial level, including my own recent visit to Great Britain. This year we also received several European dignitaries here.

In the Middle East, our relations are going very well. This year we had a visit by the Saudi Arabia Foreign Affairs Minister and several dignitaries from other Arab countries, such as the Iraqi trade minister and even from more distant regions, such as the Far East and Oceania. There were numerous visit exchanges with Japan, and the deputy prime minister of Australia was also here.

So it can really be said that Brazilian foreign policy was inspired by one of President Figueiredo's guidelines, which is universalism. At the same time it was conducted always within the framework of coexistence, consistency and reliability, which is indispensable, which is a reflection of a concept of national dignity, and which are also aspects of the foreign policy announced by the president since the beginning of his administration. Hence, 1981 undoubtedly reflects the basic guidelines that have been followed since the beginning of this administration.

[Question] Mr Minister, in regard to prospects for 1982, can we expect as good a year as we had in 1981?

[Answer] I think so, substantially, because we are guided by certain ideas, certain policies. We are not going to change them and we are convinced that they are correct. It can be said that our responsibilities have increased, and our opportunities also, but we do not seek a position, let us say, of leadership or any other influence. In this respect we have a view of the international order that is basically a humanist view, a view inspired by the needs of development, the need to keep the peace, without any concern for prestige as such. And we believe this is a rational attitude and the opinion that prevails in other countries also. So we have an expectation that the future will be even better than the past.

[Question] Mr Minister, your appointments this year culminated in your trip to London, followed by participation in the OAS meeting at St. Lucia. What visits and trips do you have planned for 1982?

[Answer] For 1982, the only one that is definite--in fact, has already been postponed due to reasons of health, the operation I had--is to Suriname and Guyana. There are no less visits here by foreign ministers of other countries but I have no visits with firm dates other than those two.

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CSO: 3001/56

## FOREIGN DEBT MAY REACH \$70.1 BILLION BY END OF 1982

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Dec 81 p 35

[Text] The government estimated that the foreign debt will reach \$70.1 billion by the end of 1982, which is 14.2 percent greater than the \$61.4 billion forecast for this year. According to a document distributed yesterday during a meeting of the National Monetary Council, "indicators of foreign debt based on balance-of-payments data show the possibility of an improvement in external accounts during 1982 in comparison with 1980 and 1981."

The net debt-to-exports ratio will thus fall, in the basic assumption considered by authorities, to 2.26 in 1982, from 2.33 in 1980 and 2.32 in 1981. The debt service-to-exports coefficient, moreover, at 0.60 in 1982, should also fall from that estimated for 1981, which is 0.70.

Also according to the same projection, nonregistered (short-term) debt, which will grow by \$1 billion this year, should repeat the same amount in 1982.

## Services

The official document assumed that next year the average LIBOR [London Inter-Bank Offered Rate] will be about 16.5 percent per annum, compared with an average rate of 17.375 percent as of June 1981, charged on the part of the debt with fluctuating rates. Should that assumption materialize, gross expenditures for interest payment would rise to \$10.7 billion in 1982, taking into account the position of the foreign debt in December of this year and capital inflows expected for the first half of 1982.

Deducting \$1.2 billion of receipts, net interest expense would be \$9.5 billion. "This estimate," the document asserts, "may be considered conservative, as it is not improbable that the LIBOR, as occurred at the end of 1981, will stay, on the average, below 15 percent during the first half of 1982." If this happens, interest expense would be about \$10 billion and the current-transaction deficit would fall to \$9.4 billion, compared with \$10.1 billion in the basic hypothesis.

## Capital Flows

With the results projected for current transactions--deficits between \$9.1 billion and \$11.1 billion--total funds needed to finance the balance of payments will be



from \$16.3 billion to \$18.3 billion. "For purposes of comparison," says the document, "it is noted that for 1981 needed funds were estimated between \$18 billion and \$20 billion, thus more than the amounts forecast for 1982."

The increase to \$1.9 billion in (net) foreign investment "is based not only on the continued flow of such capital but also on participation by foreign capital in major projects now underway," the document adds.

Projections of financing by international organizations, government agencies and supplier's credits were estimated, in the basic assumption, at \$1.8 billion, while currency loans were projected at \$13.6 billion, compared with \$15.9 billion forecast for the current year.

Of this \$13.6 billion to be borrowed in international financial markets, \$7.2 billion is to roll over the debt and \$6.4 billion is net additional funds, compared with \$8.2 billion in 1981. "Even assuming additional borrowing for growth of \$1 billion of reserves," says the document, "the total to be raised in the market (\$14.6 billion) would be \$1.3 billion less than estimated for 1981 (\$15.9 billion)."

The document comments that the possibility of counting on new exchange negotiations for exports (\$633 million in 1981), together with funds resulting from the 1981 carryover (estimated at \$2 billion compared with \$1.2 billion in 1981), "could reduce even more the need for borrowing currency funds through the mechanisms of Law No 4131 and Resolution 63, in relation to the original estimates."

### Three Hypotheses for Balance of Payments

The document on "Foreign-Sector Programming for 1982" distributed yesterday during the National Monetary Council meeting assumes, in the basic assumption, that the trade balance next year will have a surplus of \$3 billion, with exports of \$28 billion and imports of \$25 billion. In the other two hypotheses, the trade surplus is \$2 billion (exports of \$27 billion and imports of \$25 billion) and \$4 billion (exports of \$28 billion and imports of \$24 billion).

In the basic hypothesis, exports (of \$28 billion) will increase 19.1 percent over last year. "More favorable trends in commodity prices, expected recovery of European currencies against the dollar, increasing competitiveness of Brazilian goods in European markets, as well as some recovery of the industrialized economies are factors that would have favorable impact on Brazilian exports next year," according to the document.

### Exports

Exports of industrialized goods (manufactured and semi-manufactured) were estimated at \$17 billion, with an expansion of 23.2 percent, less than the trend of recent years. According to the document, "a conservative estimate was chosen, assuming a more modest rate of growth, especially for semi-manufactured goods." For manufactured goods, however, authorities expect a better performance, through continued fiscal and credit incentives that will assure a flow of funds to the sector of about 424 billion cruzeiros.



## Balance of Payments

The following are the projections of the 1982 balance of payments under the three assumptions considered by the authorities and a comparison with the amounts recorded in 1981 [in billions of dollars]:

Item	1981 (1)	1982 Hypotheses:		
		I ("Basic")	II	III
I Trade balance (FOB)	1.2	3.0	2.0	4.0
Exports	23.5	28.0	27.0	28.0
Commodities	9.7	11.0	10.0	11.0
Industrialized products (2)	13.8	17.0	17.0	17.0
Imports	22.3	25.0	25.0	24.0
Crude oil	10.0	10.3	10.3	9.3
Other imports	12.0	14.7	14.7	14.7
II Services (excluding reinvestments)	-12.0	-13.3	-13.3	-13.3
Interest (net)	- 8.7	- 9.5	- 9.5	- 9.5
Other services (net)	- 3.3	- 3.8	- 3.8	- 3.8
III Unilateral transfers	0.2	0.2	0.2	0.2
IV Current transactions	-10.6	-10.1	-11.1	- 9.1
V Capital flows	10.9	10.1	11.1	10.1
Net investment (excl. reinvestment)	1.5	1.9	1.9	1.9
Financing by international organizations, government agencies and supplier credits (3)	1.2	1.8	1.9	1.7
Currency loans and other capital	15.9	13.6 (4)	14.5	13.7
Amortizations	- 7.7	- 7.2	- 7.2	- 7.2
VI Surplus	0.3	-0-	-0-	1.0

### [Notes]:

1. Preliminary estimates.
2. Excludes refined and crystal sugar and instant coffee and includes "special transactions."
3. Includes (net) Brazilian foreign financing.
4. Includes errors and omissions.

Source: BACEN [Central Bank]

For commodities, the government forecasts exports of \$11 billion, an increase of 13.4 percent over the amount estimated for this year. This estimate depends upon the performance of coffee exports--increasing market share from 14.5 million bags to 15.5 million bags--and upon a more favorable price situation leading to exports of \$2.6 billion compared with \$1.8 billion in 1981. The other assumption for exports

(\$27 billion) assumes the possibility of less favorable sales of some commodities, representing an aggregate expansion of \$1 billion less than the basic hypothesis due to more modest price increases for these products, especially coffee and sugar.

#### Imports

The forecast for imports of \$25 billion in 1982, according to the basic hypothesis, assumes a 12.1 percent increase "which, given expectations of U.S. inflation, signifies some expansion in real terms, compared with a trend of no growth in recent periods," the document points out.

In regard to petroleum, the document suggests two estimates that combine assumptions about gross physical volume imported (830,000 barrels and 750,000 barrels daily) with the anticipation of the average price being \$34 per barrel. The larger volume would repeat the result estimated for 1981 (\$10.3 billion), whereas the smaller amount would respond to the impact of increased domestic production of petroleum and substitutes, as well as a decline in consumption resulting from more realistic pricing policies. In such a case imports would fall to \$9.3 billion.

For other imports, an increase of 22.5 percent was projected, considered by authorities "a wide margin," even taking into account recovery of the industrial sector in 1982.

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CSO: 3001/57

## FOREIGN CURRENCY RESERVES RISE TO \$7.5 BILLION

Rio de Janeiro O GLOBO in Portuguese 31 Dec 81 p 17

[Text] Brasilia--Jose Carlos Madeira Serrano, director of the Foreign Area of the Central Bank, said yesterday that in 1982 "Brazil will have results to show bankers and not just expectations." This year, assured receipts of \$18.48 billion in foreign loans allowed the nation to raise its foreign-exchange reserves to \$7.5 billion and still leave \$2.44 billion of loans to be received in 1982.

The Central Bank's projections indicate that balancing external accounts will require borrowing \$13.6 billion in 1982. As \$2.44 billion has already been arranged, negotiation of additional loans will involve \$11.16 billion, enough to roll over the debt and cover the current-account deficit.

Madeira Serrano said there is reason to celebrate the end of 1981. His preliminary data indicate that the nation's trade surplus reached \$1.3 billion and the service-account deficit did not exceed \$11.8 billion. Thus, with a \$200 million positive balance in unilateral transfers, the current-account deficit fell from \$12.47 billion in 1980 to about \$10.4 billion this year.

## Adjustment

Brazil arranged for \$17.34 billion in currency loans and still had \$1.14 billion from transactions arranged in 1980 to be received this year, which assured a total flow of \$18.48 billion. In other items of the "capital flow" account, the nation had net direct investment of \$1.56 billion through 23 December and import financing of \$1.2 billion from international organizations and government agencies.

The decline of the current-account deficit to \$10.4 billion and the favorable balance in capital flows enabled the nation to raise its exchange reserves during the year from \$6.9 billion to \$7.5 billion. The Central Bank director attached great significance to the increase in reserves, achieved despite a bookkeeping loss in gold reserves.

From January to December gold reserves felt the impact of the decline in the metal's average price quotation from \$609.38 to \$410.54 per troy ounce. Central Bank estimates show that the decline in the international price for gold cost \$437.6 million in reserves. In compensation, and reducing the accounting loss to \$239.7 million, the nation incorporated 10,000 kilograms of gold into its reserves during 1981.

For next year, the reduction to \$11.16 billion in money to be borrowed will reduce Brazil's pressure on the international financial market, together with expansion of reserves and an expected trade surplus of \$3 billion. Madeira Serrano believes Brazil can begin reducing the cost of the money it borrows.

According to him, the current spread (risk premium charged in addition to basic international interest rates) of 2.25 percent cannot last, as the nation is in a different situation for balancing its external accounts than prevailed at the end of 1980 when expectations of the international financial community were unfavorable. In coming loans, the Central Bank director now expects the spread to drop to 1.75 percent.

The relative leeway in the balance of payments led the Central Bank to take a firmer position against moderating the terms of Decree-Law 1401 as a way to stimulate entry of foreign capital into the nation's stock exchanges. Madeira Serrano emphasized that Brazil exercises "extreme caution" in regard to foreign investments to avoid "speculative capital."

This year loans made through domestic banks and direct borrowing by the private sector totaled \$8.5 billion, representing 49 percent of loans obtained. In 1982 the private share of foreign borrowing should increase, not only to maintain control over normal cruzeiro investments but also due to the higher cost of domestic credit.

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CSO: 3001/56

## GALVEAS VIEWS 1981 ECONOMIC POLICY RESULTS, 1982 GOALS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 27 Dec 81 p 31

[Interview with Finance Minister Ernane Galveas by Rosa Dalcin in Brasilia: "Galveas: Growth Without Jeopardizing Goals"; date of interview not given]

[Text] "Every effort will be made to grow as much as possible, without such growth affecting the commitments and objectives of strengthening the balance of payments and reducing the rate of inflation," said Finance Minister Ernane Galveas in commenting on the prospects of increasing the Gross Domestic Product (GDP) in 1982, after the guidelines given by the National Monetary Council.

In an exclusive interview with O ESTADO DE SAO PAULO and JORNAL DA TARDE, Galveas did not wish to set goals, although remarking that the government expects Brazil to return to its secular economic growth rate of about 7 percent annually. This may not be possible next year, however, when the growth rate will still be strongly influenced by the effects of worldwide recession. "The financial and exchange measures are intended to stimulate growth within their possibilities," he remarked.

Despite the effort made during 1981 to realign the nation's economy within more internationally acceptable parameters, which led to much sacrifice by society, with thousands of unemployed, the finance minister does not believe that pressures during an election year will cause everything to be lost and force a brand-new start in 1983. "On the contrary, on several occasions President Figueiredo has said he will maintain in 1982 with all firmness and objectivity his resolve to fight inflation and reduce balance-of-payments difficulties," he asserted.

In regard to economic performance in 1981, the finance minister believes there was "marked progress" in the agriculture, mining, energy and export sectors and that monetary policy was conducted with "much more effectiveness and discipline than in previous years." In the fiscal field, where an effort is still underway to control public expenditures, especially by the state enterprises, the results are considered "quite satisfactory," while those of exchange policy are called "highly satisfactory."

The finance minister does not consider "frustrating" the fact that exports amounted to only about \$23 billion: "The fact that exports did not reach \$25 billion is due much more to factors of the international market, full of restrictions and barriers of all types, than to the effort or will of the exporter." Galveas also believes that reaching an inflation rate of 95 percent satisfies the government, in view of its having been near 130 percent.

#### Election Should Not Change Policy

[Question] In your opinion, what were the most outstanding results of the economic policy pursued in 1981?

[Answer] As favorable aspects we would have to stress especially the results achieved in agriculture, mining, energy--where there was a considerable increase in petroleum production--and exports. These aspects very distinctly demonstrate progress that, in large measure, compensates for the setback experienced by industry.

[Question] How do you analyze execution of monetary, fiscal and exchange policy?

[Answer] I think we greatly improved the mechanism for controlling the financial system and the Bank of Brazil, whose transactions were held within the limits set by the National Monetary Council. In previous years administration of monetary policy was done in a more difficult way and at variance with the goals planned for the Bank of Brazil. It could not always, due to the subsequent decisions of the Monetary Council itself, manage to remain within the parameters set at the beginning of the year. In 1981 the Bank of Brazil kept very close to the limits set by the monetary budget and this greatly helped monetary policy. We also had constant activity by the Central Bank in the capital market which, through a very intelligent and rational policy, permitted selling over 500 billion cruzeiros in government bonds. These two factors contributed greatly toward monetary policy in 1981 being conducted with much more effectiveness and discipline than in previous years.

In regard to fiscal policy, where we are still in the midst of an effort to control public expenditures, especially by state enterprises, it should be stressed that we are meeting with quite satisfactory progress and change. SEPLAN [Planning Secretariat], through SEST [Secretariat for Control of State Enterprises], has been increasing the extent of its knowledge about expenditures for the investment programs of these companies and we now sense a constant improvement in this area. Results for 1981, however, were heavily burdened by higher international interest rates, as these companies are overloaded with big projects financed by foreign currency, and by domestic inflation, which put an additional burden on commitments already made by these companies, overloading their budgets. This forced the government to make an enormous sacrifice to promote financing of additional funds.

As regards exchange policy, results were highly satisfactory. The policy of real minidevaluations was followed without interruption, which helped not only promote appropriate and wholly satisfactory expansion of exports of manufactured goods, but also to give Brazilian exporters greater confidence.

[Question] Is the government satisfied with the results of the fight against inflation?



[Answer] I think so. There was a point, during the second half of 1980 and the first few months of 1981, when inflation was close to 130 percent, which threatened a nearly disastrous result for the current year. We reversed this position beginning in May, when price indices began rising less rapidly. It then became clear that the monetary and fiscal policies that had been carried out were beginning to produce their first results. The fact that, after having reached an inflation of about 130 percent, we are ending the year with 95 percent inflation is an extraordinary result. Extraordinary in relation to the course that inflation had been taking and extraordinary in relation to 1980, when the rate reached 110 percent. It should be stressed that, in terms of the National Consumer Price Index, inflation will be less than 90 percent.

[Question] In the field of exports, isn't it a little frustrating for someone who set a goal of \$25 billion to reach a final result of only about \$23 billion?

[Answer] No. Naturally, we set ambitious goals in order to stimulate and challenge the export sector. The fact that we did not reach the level of \$25 billion is due much more to factors in the international market, full of restrictions and barriers, than to the effort and desire of the Brazilian exporter to sell his products in foreign markets. We were quite pleased, in fact, because this shortfall was due to random factors related mainly to commodity prices. Had it not been for lower prices of coffee, sugar, soybeans and cocoa, we would have had a much better result. Brazil's loss due to terms of trade represented \$2 billion in the trade balance. This means we would have surpassed the goal had it not been for these adverse factors originating abroad.

[Question] In noting that this year economic growth will be about zero or even negative, shouldn't it cause the government to moderate the economic policy it has followed and admit that its medicine was too strong?

[Answer] No. I have tried to dispel this cause-and-effect relationship between growth of national output and measures adopted by the government. When the government began adopting more rigorous measures in fiscal and monetary policy it was because it already foresaw a significant short-term decline in growth of economic activity in Brazil. From the moment that inflation began to show a rising trend and rose above 77 percent in 1979 to 110 percent in 1980 and showed a tendency to accelerate, we began to sense in all areas in the public as well as the private sector a rapid and significant decline of investment. Any economic analyst knows that, to the degree that the rate of investment declines, during a subsequent period inexorably the growth rate of national output will fall. This is what happened in Brazil. The reduction of investment, motivated by uncertainty and the burden that inflation itself and the interest rate represented for the budget of public enterprises, carried investment to a lower level than in previous years. This caused a drop in output, especially in industry. We should emphasize, meanwhile, a very important component, which is the automobile industry. This industry was hit hard in 1981 and is a sector that has important multiplier effects in other areas such as metallurgy and devices related to the automobile sector. To the extent that the government was forced to foster a rapid and sizable increase in prices for petroleum derivatives, the cost of maintaining an automobile became a much greater burden for the buyer. Combined with this, the industry raised prices of its cars at a much greater rate as a way of making up for the lower production.

This led to a decline of demand, estimated at 35 percent. Combined with this specific fact of the decline in the automobile industry, a leading sector in domestic industry, are the international factors. It was very difficult to expect that growth of domestic industry would not be negative.

[Question] For next year, what is the government's goal in terms of growth of national output?

[Answer] The government expects Brazil to return to its secular economic growth rate of about 7 percent.

[Question] Is that valid for next year?

[Answer] It may not yet be possible to reach this rate next year because we are now experiencing a world recession. Reduction of transactions with the international market reduces our growth possibilities because the balance of payments is the factor of greatest restraint for economic growth. If the economy grows only a little this year or about zero, the possibilities for 1982 are much more favorable. Why? Because in 1981 it was affected by a number of factors that will not be repeated in 1982. For a national product of \$250 billion, Brazil lost this year about \$5 billion due to lower commodity prices and higher interest rates, which was a burden on the foreign debt. Now, if we lost nearly 2.2 percent of national product, just as a result of these factors, we can assume that the economy will recover at least 2.2 percent next year.

[Question] Is a rate of 5 percent the goal for 1982?

[Answer] No. The government is not setting any quantitative goals for economic growth. Brazil, in keeping with the orientation of its economic policy, will grow as much as possible. All the economic, financial and exchange measures are for the purpose of stimulating economic growth within their possibilities. Within their possibilities means using all the factors of production--land, labor, natural resources, idle industrial capacity and exports--to impart to Brazil an accelerated rate of growth. But this program has limitations. The first is the balance of payments; we cannot lose sight of the balance of payments. We cannot promote domestic growth of the economy to such an extent that imports increase and create serious problems in external accounts. Moreover, we cannot stimulate increased domestic economic activity through the inflationary process and thus create a series of other problems from which we are trying to free ourselves. Every effort will be made to grow as much as possible without such growth affecting our commitments and objectives to strengthen the balance of payments and reduce the rate of inflation.

[Question] Aren't you afraid that the natural pressures of an election year will cause a loss of the whole effort made thus far, which has imposed a very great sacrifice on society?

[Answer] No. I have confidence in conducting the political process as it has been done by President Figueiredo. I think the political process will develop normally. Of course, with all the nuances we are seeing today in the behavior of the opposition parties. But I don't think this will affect conduct of economic policy next year. On the contrary, on several occasions President Figueiredo has declared he will maintain in 1982, with all firmness and objectivity, the purposes of combating inflation and reducing balance-of-payments difficulties.

## NOVEMBER UNEMPLOYMENT AVERAGES 7.66 PERCENT IN SIX MAJOR CITIES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Dec 81 p 30

[Text] Rio de Janeiro--The November unemployment rate in the Sao Paulo metropolitan region was 7.05 percent, compared with 6.92 percent the previous month. Rio de Janeiro was the metropolitan region with the highest unemployment index last month (8.78 percent), followed by Salvador (8.46 percent), Belo Horizonte (8.21 percent), Recife (7.74 percent) and Porto Alegre (5.06 percent). Compared with October of this year, there was a decline in the unemployment rate in the metropolitan regions of Porto Alegre, Salvador and Recife.

According to data reported in Rio de Janeiro yesterday by Jesse Montello, president of the Brazilian Institute of Geography and Statistics (IBGE), the average unemployment rate in November was 7.66 percent, based on the ratio between the number of persons looking for work and the total number of economically active persons in the six metropolitan regions surveyed. In October this rate was 7.51 percent and it was 7.73 percent in September.

The rates of unemployment in November this year, as a percentage of the work force, among persons who have worked before--thus excluding those looking for work for the first time--in the same regions were the following: Rio de Janeiro (7.52 percent), Sao Paulo (6.42 percent), Belo Horizonte (7.02 percent), Porto Alegre (4.48 percent), Salvador (7.25 percent) and Recife (6.38 percent). Rates of unemployment among persons who were looking for work for the first time were: Rio de Janeiro (1.26 percent), Sao Paulo (0.62 percent), Belo Horizonte (1.19 percent), Porto Alegre (1.58 percent), Salvador (1.21 percent) and Recife (1.36 percent).

Changes in the unemployment rate of November compared with the same month last year, which permit an estimate of cyclical effects on the labor market, were the following (in percentage points): Rio de Janeiro (2.27 percent), Sao Paulo (1.90 percent), Belo Horizonte (0.70 percent), Porto Alegre (1.09 percent), Salvador (2.32 percent) and Recife (1.28 percent).

#### Inexperience

The IBGE president explained the increased unemployment rate in some metropolitan regions by linking the bad economic phase the country is now in with the fact that the highest rate of unemployment is in the age group between 15 and 20 years old, where, according to him, these workers "are still at the inexperienced stage, and sometimes they quit their job."

Montello announced for next year a better quality of survey by IBGE, using more indicators, partly to learn the location of the worker's last job and the amount of his last salary. Another novelty announced for 1982 will be a survey of underemployment which, due to its complexity, will not be reported monthly. In March, however, the first results will be reported.

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## POLL DEFINES 10 MOST INFLUENTIAL PEOPLE IN COUNTRY

Rio de Janeiro O GLOBO in Portuguese 20 Dec 81 p 3

[Text] A Survey by "GAZETA MERCANTIL Forum," based on questionnaires sent to opinion leaders in 12 social sectors, identified the 10 most influential people in Brazil. In order, they are: President Joao Figueiredo; Planning Minister Delfim Netto; Vice President Aureliano Chaves; Governor Paulo Maluf of Sao Paulo; Gen Octavio Aguiar de Medeiros, chief of the SNI [National Intelligence Service]; Cardinal Paulo Evaristo Arns, archbishop of Sao Paulo; publisher Roberto Marinho, president of GLOBO Organizations; Civilian Household Chief Leitao de Abreu; Senator Tancredo Neves, national chairman of the Popular Party [PP]; and General Golbery do Couto e Silva, former civilian household chief.

"GAZETA MERCANTIL Forum" is a controlled-circulation yearbook sent to 5,000 outstanding persons.

Among influential persons, those listed in 11th to 20th place were: Antonio Ermirio de Moraes, managing director of the Votorantim Group; Army Minister Gen Walter Pires; Luis Inacio da Silva (Lula), national chairman of the PT [Workers Party]; Dom Helder Camara, archbishop of Olinda and Recife; Senate President Jarbas Passarinho; Deputy Ulysses Guimaraes, national chairman of the PMDB [Brazilian Democratic Mobilization Party]; Air Force Gen Delio Jardim de Mattos, air minister; former President Ernesto Geisel; Cardinal Eugenio Sales, archbishop of Rio de Janeiro; Gen Danilo Venturini, chief of the military household; and Dom Luciano Mendes de Almeida, secretary general of the National Conference of Brazilian Bishops (CNBB).

## Business, Labor Leaders

The survey lists the five businessmen and five labor leaders who are most influential. Antonio Ermirio de Moraes is first among the businessmen, followed by Luiz Eulalio de Bueno Vidigal Filho, president of the Sao Paulo State Federation of Industries; publisher Roberto Marinho, president of GLOBO Organizations; Amador Aguiar, chairman of the BRADESCO [Brazilian Discount Bank] Council of Administration; and Olavo Egydio Setubal, president of Itau Bank.

Among labor leaders, Luis Inacio da Silva, former president of the Sao Bernardo do Campo Metalworkers Union, heads the list. Coming after him are: Joaquim dos Santos Andrade, president of the Sao Paulo Metalworkers Union; Ary Campista, president of the National Confederation of Industrial Workers (CNTI); Argeu Egydio dos



Santos, president of the Sao Paulo Metalworkers Federation; and Audalio Dantas, vice president of the Sao Paulo Journalists Union.

#### Culture, Medicine

In the area of education and culture, the five most influential persons are: poet Carlos Drumond de Andrade; Gen Rubem Ludwig, minister of education; and writers Jorge Amado, Afonso Arinos de Mello Franco (former foreign minister) and Aurelio Buarque de Hollanda.

The five most influential members of the medical profession are: cardiologist Euryclides de Jesus Zerbini; plastic surgeon Ivo Pitanguy; Social Security Minister Jair Soares; Health Minister Waldyr Arcoverde; and Sao Paulo Health Secretary Adib Jatene.

#### Politics, Finance

Among the five most influential politicians, President Figueiredo is in first place, followed by Senator Tancredo Neves, PP chairman, who in this field is ahead of Governor Paulo Maluf, in third place. Senator Franco Montoro and Deputy Ulysses Guimaraes, PMDB chairman, complete the list.

In the financial area, the five most influential bankers are: Amador Aguiar of BRADESCO; Olavo Setubal of Itau (both mentioned previously in the list of businessmen); Jose de Magalhaes Pinto of the National Bank; Walther Moreira Salles of Unibanco; and Gastao Eduardo de Bueno Vidigal of the Sao Paulo Mercantile Bank.

#### Jurists, Clergymen, Athletes

Afonso Arinos heads the list of the five most influential jurists, followed by Sobral Pinto; former Justice Minister Alfredo Buzaid; Dalmo de Abreu Dallari, former president of the Sao Paulo Commission for Justice and Peace; and Miguel Reale.

Among clergymen, Cardinal Paulo de Evaristo Arns is considered the most influential. he is followed by Archbishop Helder Camara; Cardinal Aloisio Lorscheider, archbishop of Fortaleza; spiritist leader Chico Xavier; and Cardinal Eugenio Salles.

In sports, Edson Arantes do Nascimento (Pele) heads a list that also includes: pilot Nelson Piquet; Joao Havelange, president of FIFA; soccer player Arthur Antunes Coimbra (Zico) of Flamengo; and Tele Santana, coach of the Brazil World Cup team.

President Figueiredo appears again in first place among the five most influential military men, followed by cabinet ministers Delio de Mattos, Walter Pires and Danilo Venturini and former cabinet minister Golbery do Couto e Silva.

The armed forces are considered the most powerful institution; banks are in second place; and multinational firms are third. Then come the church; Planalto Palace; the press; television; state enterprises; the National Congress; and soccer, in the list of most powerful.



## National Problems

Inflation comes first on the list of the 10 biggest problems of Brazil, followed closely by corruption. The list also includes: education, foreign debt, public administration, unemployment and underemployment, income concentration, balance of payments, urban violence and health.

### Survey Involves All Sectors of National Activity

"GAZETA MERCANTIL Forum" sent out 18,000 questionnaires to labor unions and professional associations; municipal governments; federal government (ministries and other bodies); rural cooperatives; state governments and secretariats; business firms (the 400 largest by origin of capital); banks (the 100 largest); Chamber of Deputies; federal courts; "GAZETA MERCANTIL Forum" leaders (277); military, embassies, universities, Lions and Rotary clubs and the Senate; minority movements; Brazilian Academy of Letters; and clergy.

There were 1,298 questionnaires returned--8.1 percent, highly significant in that an average of 6 percent is considered very successful in direct mail. Public-opinion surveys made by large institutions are considered technically sound if about 500 persons are consulted.

Of the 1,298 replies, 11.7 percent were from representatives of the federal government; 11.25 percent from businessmen; 1.62 percent from heads of educational institutions; 3 percent from state governments; and 1.77 percent from clergymen.

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## CENTRAL-SOUTH AGRICULTURAL OUTPUT RISES 5.5% OVER 1980

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Dec 81 p 27

[Text] Agriculture of the Central-South region increased 5.5 percent this year in terms of value (11.2 percent in physical output) compared with 1980, Agriculture Secretary Afif Domingos revealed yesterday in announcing the agricultural forecast for the 1981-82 crop year. The Southeast region (Sao Paulo, Rio de Janeiro, Minas Gerais and Espirito Santo) had the highest indices of expansion: 10.7 percent in value and 14.9 percent in volume of production.

## Harvest of 1981-82

In reporting the 1981-82 agricultural forecast, Afif revealed that the state of Sao Paulo, which continues to be the leading agricultural producer of the Southeast region, had a real increase of 5.9 percent in the value of its production, which reached 549 billion cruzeiros, and a 9.2 percent increase in physical volume. In Rio Grande do Sul, however, the physical increase of 8 percent in agricultural production did not prevent the value of production from declining 2.7 percent in real terms, while in Espirito Santo production increased 6.9 percent and real value declined 8.7 percent this year compared with last year.

"This is because food prices have been increasing less rapidly than the rate of inflation, which is a problem because prices of inputs are increasing at a rate close to that of inflation," Afif Domingos commented.

Moreover, increased production at state levels does not mean nationwide expansion at the same levels, because in national terms it is customary to measure total production of grain, excluding coffee and sugarcane, products that greatly influenced results of the Southeast region this year.

"The agriculture minister announced an increase of 4 percent in Brazil's 1981-82 crop, which is likely to be an accurate forecast," said Afif, adding: "The data we are announcing--such as those for the Southeast region, with a production increase of almost 15 percent--are due mainly to the performance of the vegetable production sector, where coffee and sugarcane had an outstanding performance, besides beans and corn, which also performed well. Among the states of the Southeast region, Minas Gerais had the best performance, showing an increase of 25.3 percent in real value of production and almost 30 percent in physical production. In this increase, coffee had a pronounced effect."

The Sao Paulo agriculture secretary said further that, even with the expectation that the current policy of minimum prices--which are now revised according to the INPC [National Consumer Price Index] at the time of harvest--will exert a positive influence on agricultural output for 1982, at least two production declines should occur: 50 percent in the coffee harvest and 10 percent in the sugarcane harvest, both resulting from last winter's frosts.

"Now price policy will capture everyone's attention," asserted the secretary, referring to the subsidized interest rates for agriculture. In his opinion, there was really a reduction of the subsidies built into the National Monetary Council's decision not to increase the amount of the subsidy. "If inflation is declining, then, in effect, the subsidy is declining and, if subsidized interest rates decline, prices become much more important in the profitability of each crop. If prices cover costs, very well. But if not..."

With the agricultural forecast in hand (data for which were surveyed by the Agricultural Economy Institute), Afif Domingos suggested two probabilities for next year: good performance of production for the consumer, given the good prospects for rice, bean and corn production, and reoccupation of traditional agricultural areas due to retreat from frontier areas.

"Bean production has met the consumer's needs well in this half of the year and should be even more satisfactory next year. Right now the climate is good for the next crop of rainy-season beans--it rained at just the right time and then stopped. As for rice, there will really be a reduction of planted area in the Central states for the nonirrigated crop. But this reduction will be offset by higher yields in areas of irrigated rice. What is lacking, and I said this in Brasilia, is a little more support for the industrial sector of irrigation equipment, support that could be concomitant with imports of such equipment," he explained.

Speaking further about basic prices for each crop, the agriculture secretary said that many bean producers do not know that the government is buying that product at an adjusted basic price and they are taking as a base the price offered them by truckers, the most frequent middlemen. "There was a short-circuit in communications between the government and small farmers. But we are conducting a campaign on prime-time television alerting producers and 'pulling the rug' on truckers," he pointed out.

Besides the figures about production in the Southeast region, Afif Domingos reported the following production data for other regions: South, physical growth of 10 percent and increase in real value of 4 percent; and Center-West, decline of 1.3 percent in physical output and 13.4 percent in value.

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## STABILE CITES ACCOMPLISHMENTS OF AGRICULTURE IN 1981

Rio de Janeiro MANCHETE in Portuguese 26 Dec 81 pp 126, 127

[Interview with Agriculture Minister Amaury Stabile by Alexandre Garcia: "Stabile: The Victory of Agriculture"; date and place of interview not given]

[Text] This December the most frequently recurring front-page news of last December--the waiting lines to buy beans--has not reappeared. Remember the pictures, the headlines? Police were called to patrol the lines. People died waiting in line for beans that December. This year there were no bean lines. Moreover, the price paid for 1 kilogram of the product this December is the same as last December's, even with an inflation rate of nearly 100 percent.

Another piece of bad news recurring frequently in 1980 has not returned this year: food imports. Last year Brazil imported rice, beans, corn, milk, meat--\$2 billion worth--without counting wheat, one of our traditional imports. In 1981, other than wheat, not a single grain of food was imported.

Moreover, besides becoming self-sufficient, Brazil exported. And, even with international prices for coffee and cocoa falling, our exports of soybeans, citrus fruits and meat have assured the surplus that our trade balance has enjoyed for several successive months.

As if all this were not enough, agriculture, which is responsible for 46 percent of the cost of living index, had much lower price increases than other items, holding back the average increase and playing a decisive role in the reduction of inflation to less than 100 percent.

At that, prices paid to producers were an incentive. The strength of agriculture is beginning to have an impact on the urban economy, where mass layoffs have ended. It looks like the nation can keep its head above water, as indicated by the optimistic message of this exclusive interview with the agriculture minister by MANCHETE.

[Question] Minister Amaury Stabile, has there been a revolution or a miracle in Brazilian agriculture?

[Answer] There is no miracle. The weather helped, of course, but what we had was a lot of hard work. The government adopted a policy of firm support and agriculture did the rest. With PROFELJAO [Bean Program], for instance, we encouraged irrigation, use of good seed, use of floodplains, with rational credit and a good market price. The absence of queues and the steady price to the consumer show we have won the bean battle. But we are going to continue improving this strategy to retain that victory during the coming year. Our objective is to accumulate a good buffer stock, with continuity of supply, which is the best weapon against speculation and scarcity. The bean crop increased from 1,980,000 tons to 2,500,000 tons. Unfortunately, some people did not believe the good news and hoarded their beans. Now they are stuck with old beans and the government, for stockpiling purposes, prefers new beans. And our guaranteed marketing system, the AGF [expansion unknown], is functioning at the minimum current price, which is readjusted monthly.

#### Supervision, Subsidy to Continue Only for Small Producer

[Question] The crop previous to this one was good, but no one paid any attention because it only went to plug the holes left by 2 successive bad years. What happened during that period?

[Answer] As a matter of fact, the measures adopted by the government did not show results until 1 year later, which is obvious in agriculture. During that first year there were queues to buy beans and there were food imports. In crop year October 1979 to March 1980, production increased from 42 million to 52 million tons of grain. There was unlimited credit for planting costs, a better minimum price for the producer, guaranteed purchase of all surplus and 100 percent insurance in case of failure. Result: planted area increased 8 percent and production, 25 percent.

In the October 1980 to March 1981 crop year, the same policy of firm support was maintained and planted area increased 6 percent. Production rose to 54 million tons and we imported not a single grain except for wheat. In fact, we exported food and contributed to the trade surplus. And, as we approach the end of the year, inflation, with the help of agriculture, is subsiding.

Furthermore, there are measures of direct assistance in the areas of research and rural extension (technical assistance), offered mainly to small producers and through cooperatives.

[Question] On 21 December the National Monetary Council will decide how much money to appropriate for agriculture next year. What can Brazilian agriculture expect for 1982?

[Answer] The major novelty for 1982 is the incentive funds (from the monetary budget and the federal budget) for certain areas and crops, with special rates and payment periods. The general idea, in other cases, is to have interest rates closer to market rates, letting the domestic and foreign markets operate with realistic prices. These incentive funds will be used to meet priorities: seed,



irrigation, PROVARZEAS [Floodplain Program], soil conservation, investment in new areas, purchase of heavy equipment, investment in livestock. All funds with the most rational use possible.

And this is a program guaranteed to be repeated in coming years. Beyond this, financing for irrigation and PROVARZEAS will have about 60 billion cruzeiros. Of course, the policy of revising the minimum price monthly, of more protection for the small producer, through cooperatives, will be continued, with much technical assistance. Large and medium-sized producers will have to return to the market, with the government gradually ceasing to protect them. In this way we are preparing for a modern agriculture that can cope with the domestic and foreign market through self-improvement. This efficiency will benefit the consumer. The guaranteed minimum price will be based on an average price, rewarding productivity. And buffer stocks will be increased to eliminate speculation. The EGF [Federal Government Loan] for the producer and cooperatives will have interest rates closer to the market. Rural-sector funding will have a real increase next year of 20 percent.

#### Agriculture Is Base for Resuming National Development

[Question] Will the reduction of government tutelage also take away the subsidy?

[Answer] We are leaving the artificiality of subsidies for the realism of the market. If we want reliable and efficient agriculture capable of competing abroad, only realistic prices can lead to greater productivity. The government gives the producer the assurance of the minimum price, but only productivity can provide a greater gain. As for interest rates, only realism can assure the remuneration to capital that permits financing to continue.

[Question] Conclusion: Brazilian agriculture is doing very well, thank you. Is that correct?

[Answer] Agriculture is doing well. It is modernizing; insurance frees it from risks; buffer stocks reduce speculation; we are seeking better seeds, better yields, irrigation, more exports at better prices in the foreign market and relatively lower prices in the domestic market. Strengthening Brazilian agriculture is the basic requirement for resuming the nation's economic development. This year agriculture's GDP [Gross Domestic Product] increased 7 percent, in spite of an urban recession. All agricultural investment is recycled to the cities, creating jobs and vitalizing the economy. Food can also be exported, generating foreign exchange for other sectors of the economy. Agriculture is the base for the fight against inflation and the farmer is becoming increasingly important. That is why prescription is essential for the small producer. Prescription is a government decision that will protect the small farmer, permitting him to own land that he has occupied for more than 5 years.

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## RONDONIA GOVERNOR DISCUSSES PROSPECTS FOR DEVELOPMENT

Rio de Janeiro MANCHETE in Portuguese 2 Jan 82 pp 118, 119

[Interview with Col Jorge Teixeira, governor of Rondonia, by Marlene Anna Galeazzi: "Jorge Teixeira: Governor of New State of Rondonia"; time and place of interview not given]

[Text] Rondonia, with an area of 243,044 square kilometers and a population of over 800,000 inhabitants due to the great migratory flow of recent times, is Brazil's newest state. Soon it will become one of the most important units of the federation. According to its governor, Col Jorge Teixeira, it will be a kind of giant granary with very great potential. Colonel Teixeira, a man accustomed to the work of taming the Amazon region, spoke to MANCHETE about the significance of the territory of Rondonia's becoming a state, the challenge it will have to face, its economy and its settlement projects.

[Question] Why is a territory that is 30 years old only now becoming a state?

[Answer] In the first place, because of the heavy migration and, secondly, because of the potential that has been discovered in Rondonia and, finally, because of the will of President Figueiredo and [Interior] Minister Mario Andreazza, who from the beginning gave us the mission of preparing Rondonia for statehood. It was no longer possible for Rondonia to continue being a territory.

[Question] Is there still room for much more immigration in Rondonia?

[Answer] A very large flow of migrants arriving to occupy areas intended for settlement projects has transformed the cities and the major regions of Rondonia. BR-364, a highway opened at the end of the Sixties and now being paved, last year alone carried about 60,000 persons who are going to settle in Rondonia and add their customs to those of the region. The population of Rondonia, which before the highway did not exceed 110,000 inhabitants, is now in the neighborhood of 800,000. This year the estimate of migratory flow reached an average of 57 families per month [sic; per day?]. With the paving of the highway and the change from territory to statehood, migrants will still be welcome, but within a new system. We will no longer be able to foster small-scale agricultural settlements. Now we must adhere to a policy of large settlement projects. We are sure population will continue to increase, but

within a more orderly framework. Rondonia will continue to need people interested in its development, those who are willing to work and grow with the new state.

[Question] What challenges will Rondonia now face?

[Answer] The great challenge is its consolidation as a state. The measures taken until now are really to prepare the infrastructure and the large-scale things for the new state. With the passage of the years, the objectives of these measures are being met. There is still need for some measures and programs that gradually are being carried out: permanent construction of BR-364, the Samuel hydroelectric project and implementation of POLONOROESTE [Program for Settlement of the Northwest].

[Question] On what will the economy of the new state be based?

[Answer] Primarily on its agricultural products and minerals. As the nation's largest producer of cassiterite, Rondonia's soil is rich in minerals, especially gold. In agriculture, it promises to become one of the nation's major producing regions. Coffee, cacao and rubber trees are being planted there in abundance.

[Question] Is the PDS [Social Democratic Party] in a position to win the elections in Rondonia?

[Answer] I think so, because there is much work being done for the party. It is realized in Rondonia that everything that has been done there was at the initiative of the federal government. Now the people will have their chance to return the favor. If we became capable of attaining statehood, it is because the federal government made it possible. There has been a constant effort by Minister Mario Andreazza and his secretary general, Rocha Maia, to promote our progress.

[Question] How many elective positions will be filled in the new state?

[Answer] Three senators and six federal deputies. The legislative assembly will have 18 members. There will also be 13 municipal councils.

[Question] Would you be willing to run for governor in a direct election?

[Answer] No. Simply because it is not my nature and I do not have the temperament to run for elective office. When I was mayor of Manaus I had the opportunity to be a candidate, but I did not choose to run. I have considerable admiration and respect for the political profession, but I do not have a political temperament. If President Figueiredo chooses me to continue as governor of Rondonia, now that it is a state, I would accept it in terms of a mission. Just as the president and the interior minister sent me to Rondonia with the mission of preparing it for statehood, I would be honored by such an invitation that would give me the opportunity to carry out the programs already begun.

8834

CSO: 3001/60

## NAVAL PLAN BODES EXTENSIVE PURCHASE OF DOMESTIC EQUIPMENT

Rio de Janeiro JORNAL DE BRASIL in Portuguese 18 Dec 81 p 15

[Text] The Long-Range Shipbuilding Plan--\$1 billion of orders placed with shipyards --will result in purchase of about \$315 million of domestic equipment, payment of about \$186 million in wages, \$13 million in insurance, \$31.5 million in ICM [Tax on Movement of Merchandise] on domestic materials and \$7.5 million in PIS [Social Integration Program] contributions.

The estimate was made by Renato Castro Santos, president of the Brazilian Naval Engineering Society (SOBENA) and director of the Emaq shipyard. The shipbuilder also mentioned that having its own fleet will enable the nation to control freight policy in such a way as to increase its share of international trade.

## Subsidies Increase

"In today's world there is a new division of labor. In this structural change nations that traditionally had been major shipbuilders are seeing their shipyards lose competitiveness and to maintain production have been increasing the amount of subsidies and incentives. In some cases these incentives and subsidies are more than 50 percent of the offered sales price," he points out.

He says this must be borne in mind when criticizing the increased price of ships made in Brazil compared with similar ones sold abroad. He adds that our currency does not indicate its real parity with the dollar and "we have seen in recent years a steep increase in the price of purchased equipment."

In view of the current shipbuilding situation, the SOBENA president makes five basic suggestions for 1982:

"That the Long-Range Shipbuilding Plan be implemented to provide a continued effort to improve the industry; that an effort be made to establish a Brazilian Rate Conference, from the most simple rules for inland shipping to, over the long term, accumulated knowledge about the whole sector--collaboration of shipping interests and the equipment industry is essential; stimulating development of domestic technology resulting from transfer of imported technology--all foreign technology is welcome provided it can be absorbed, understood and used to improve the product; thorough study of the Japanese experience in integrating shipyards and equipment industries; and, after the stage of absorbing foreign technology, we must begin developing our own."

In analyzing the cost of Brazilian ships, engineer Renato Castro Santos used the example of the 18,000-ton gross capacity oil-tanker contract with Petrobras of the Emaq and Caneco shipyards. There were six tankers and the total amount of the orders was \$200 million, which permits extrapolating the effect of the Long-Range Shipbuilding Plan with a total of \$1 billion.

#### Shipbuilding Cost Analysis

<u>Cost Component</u>	<u>Percentage of Cost</u>
Domestic equipment	31.55
Labor in shipyards	18.66
Material for hull	4.85
Imported equipment	19.00
Contractors	1.10
Direct expenses	2.83
Indirect expenses	3.83
Insurance	1.30
Design and engineering	2.33
Freight and insurance on imported equipment	2.47
ICM on domestic material	3.15
PIS	0.75
Profit margin	8.18
Total	100.00

8834

CSO: 3001/60

## ANTARCTIC RESEARCH PROJECT STILL UNDEFINED

Brasilia CORREIO BRAZILIENSE in Portuguese 23 Dec 81 p 11

[Text] Porto Alegre--Geographer Jane Pereyron Mocellin of the Rio Grande do Sul center of the Brazilian Institute for Antarctic Studies [IBEA-RS] said yesterday that, according to information received from Brasilia, Brazil is trying to get an extension of the time period granted by the Scientific Committee of Arctic Resources (SCAR) for submission of its scientific project. The period ends on 30 March and if Brazil does not submit the project to SCAR headquarters in Cambridge the Antarctic expedition cannot be made in the southern hemisphere summer of 1982-83.

This delay in final preparation of the project will determine whether the CIRM [Interministerial Committee for Ocean Resources] will make full use of the program submitted by the IBEA and which combines studies by the Rio dos Sinos Valley University (UNISINOS), the Rio Grande University Foundation of Rio Grande do Sul and the state and federal universities of Rio de Janeiro. According to Jane Pereyron Mocellin, all these universities submitted their projects through IBEA and besides these there are only studies by the Oceanography Museum of Sao Paulo University, The Aerospace Center of Sao Jose dos Campos, the Rio Grande do Sul Federal University and a private group.

In the meetings she held at the Navy Ministry when she was in Brasilia to submit the IBEA-RS projects, Jane also learned that Brazil is firmly determined to buy the "Endurance" from Great Britain, because it is a ship in excellent repair, suitable for the Brazilian expedition and available at a relatively low price, \$2.5 million. Ms Pereyron was also informed that Poland and the FRG did not have ships for sale and, in fact, they offered to build the vessel. The only offer to sell a ship, other than the "Endurance," that Brazil has received was from the United States. But the "El Tanini" is in very poor repair and had been leased by Argentina on three occasions.

Another piece of good news that Jane Mocellin received in Brasilia is that funds both for buying the ship and for the expedition have been approved by the Planning Secretariat and the money for the expedition is to come basically from the Sectoral Plan for Ocean Resources included in the National Development Plan (PND). But it is specifically the Subprogram of Ocean Resources that is appropriating 2 billion cruzeiros for research on food from the sea beyond Brazilian territorial waters. This survey beyond Brazilian waters is about the silver hake, tuna and krill. Krill live in Antarctica and could become the major source of mankind's protein reserve.

## BRIEFS

DECEMBER INFLATION RATE 3.8%--Rio de Janeiro--The Brazilian Economics Institute [IBRE] of the Getulio Vargas Foundation made an advance report of December's inflation rate yesterday, which it computed at 3.8 percent--much less than the 5.3 percent of November and the 5.9 percent of December 1980. With this result, the inflation rate for this year was 95.2 percent, "a significantly lower figure than that of last year: 110.2 percent." The institute believes this month's rate confirms the declining trend of the rate of price increase since April. According to the report it circulated, "emphasis should be given to the fact that the rate of inflation, as conceived by IBRE, had more pressure from the Consumer Price Index [IPC] than from wholesale prices and the Construction Cost Index [ICC], changing the relative position of the components of the General Price Index." Thus, the increase of 100.8 percent in the IPC now compares with an increase of 94.3 percent in wholesale prices and of 86.1 percent in the ICC. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Dec 81 p 30] 8834

CSO: 3001/57



## YEAR-ROUND COMMITTEE ASSIGNMENTS OCCUPY LEGISLATORS

Quito EL COMERCIO in Spanish 6 Dec 81 p A1

[Text] Out of the 69 legislators constituting the National Chamber of Representatives, 59 will work without interruption throughout the year as a result of the establishment of committees, subcommittees, and delegations that will take charge of various activity areas.

According to the Political Constitution, the Chamber must have four legislative committees made up of five representatives, each, who will, respectively, take care of the following: (a) civil and criminal matters; (b) labor and social welfare matters; (c) taxation, treasury, banking, and budget matters; (d) economic, agricultural, industrial, and commercial matters.

In addition to these committees, other committees have been formed in the legislative branch with specific assignments to facilitate greater output.

The legislators who are not members of a committee or subcommittee as full-time members are the following: the President, Engineer Raul Baca Carbo, and the Vice President, Dr Reinaldo Yanchpaxi, who have their own responsibilities in the high positions they hold; Representative Engineer Rodolfo Baquerizo; the successor to the late Mr Asaad Bucaram, Deputy Carlos Julio Llerena; representatives Dr Carlos Julio Arosemena, Dr Otto Arosemena Gomez, Engineer Leon Febres Cordero; Dr Jacinto Velasquez, Col Rafael Armijos, and Mr Ezequiel Clavijo.

Following the establishment of the additional committees, the legislative branch is capable of taking care of many matters which in the past it could not handle due to a lack of time and personnel.

The following are the currently existing committees with their regular and alternate members.

Permanent Legislative Committee on the Budget

Regular members: Wilfrido Lucero, Jorge Zambrano, Galo Vayas, Severo Espinosa, and Luis Mejia.

Alternate members: Jorge Fadul, Cid Abad, Juan Manuel Real, Edgar Garrido, and Arnaldo Merino.

#### Permanent Legislative Committee on Labor

Regular members: Javier Ledesma, Juan Tama, Arquimedes Valdez, Walter Esparza, Jorge Chiriboga.

Alternate members: Luis Munoz, Nelson Felix, Julio Ayala, Maximiliano Rosero, Arturo Piedra.

#### Permanent Legislative Committee on Agriculture

Regular members: Hugo Caicedo, Gabriel Nicola, Galo Pico, Carlos Falquez, Eudoro Llor.

Alternate members: Gonzalo Callejas, Cleomedes Ollague, Rodrigo Suarez, Medardo Mora, and Luis Gavilanez.

#### Permanent Legislative Committee on Civil Matters

Regular members: Gil Barragan, Manuel Valencia, Fausto Vallejo, Rodrigo Borja, and Gonzalo Gonzalez.

Alternate members: Ezequiel Clavijo, Pepe Mosquera, Edgar Orbea, Alejandro Carrion, and Antonio Lara.

#### Permanent Committee on Management

Luis Munoz, Nelson Felix, Arturo Piedra, Juan Chamoun, and Edgar Orbea.

#### Special Committee on Codification

Regular members: Marco Proano, Ezequiel Clavijo, Edgar Garrido, Gudberto Ortiz, Jose Mosquera.

Alternate members: Manuel Daza, Julio Cesar Trujillo, Rodrigo Suarez, Pio Oswaldo Cueva, and Rafael Marquez.

#### Committee on the Affairs of the Amazon Region and the Border Area

Regular members: Gustavo Valdivieso, Guillermo Vilem Kubes, Ricardo Bowen, Arturo Cordova, Gilberto Plaza.

Alternate members: Eduardo Rivas, Rodrigo Cisneros, Oswaldo Cevallos, Javier Ledesma, Cleomedes Ollague.

#### Political Control Committee

Regular members: Arnaldo Merino, Manuel Daza, Cid Abad, Maximiliano Rosero, Rafael Marquez.

Alternate members: Luis Mejfa, Jorge Zambrano Juan Tama, Severo Espinosa, and Jorge Fadul.

Committee on International Affairs

Regular members: Alejandro Carrion, Antonio Lara, Julio Prado, Aurelio Carrera, and Pío Oswaldo Cueva.

Alternate members: Gonzalo Callejas, Wilfrido Lucero, Gonzalo Gonzalez, Gudberto Ortiz, Pablo Davalos.

Delegations

Cleomedes Ollague: Claims Board.

Ricardo Bown: Jipijapa and Pajan Water Power Resources Board.

Heinz Moeller, Rodolfo Baquerizo, and Javier Ledesma: Executive Unit of the Guayaquil Urban Development Fund.

Antonio Saab, Eduardo Carmigniani, Manuel Pesantes, Daniel Alvarado, and Carlos Julio Llerena: Committee on Marginal Districts of Guayaquil.

Manuel Real: National Defense Board

Julio Cesar Trujillo, Rodrigo Cisneros, and Eduardo Rivas: Constitutional Guarantees Court.

Rodolfo Baquerizo: CONADE [National Development Council].

Arquimedes Valdez: Crafts Board.

5058

CSO: 3010/544

## DAILY EXAMINES FUTURE PETROLEUM, ENERGY NEEDS

Quito EL COMERCIO in Spanish 6 Dec 81 p A4

[Text] Ecuador at this time has petroleum reserves for another 18 years, that is to say, up to the year 2000, according to the minister of natural resources. However, the interval of time during which Ecuador will be exporting hydrocarbons is certainly much shorter since, at the current consumption rate, Ecuador will not even be self-sufficient in petroleum by the middle of this decade. This is why it will have to import in order to make up for the difference between its output and its requirements. Ecuador's petroleum future consequently is neither encouraging, nor promising.

The domestic growth rate indexes as a matter of fact are excessively high; the inefficient system of hydrocarbons byproduct prices contributed toward that development, characterized by a disproportionate and unjustified government subsidy whose most obvious consequence was the development of a generally wasteful attitude at a truly exorbitant cost to the country. The fight against waste and excessive consumption of petroleum derivatives undoubtedly is of decisive importance to the country's future.

Another aspect that is truly significant to the reduction in consumption has to do with electric power generation whose replacement by energy of water power origin is fundamental, although this is a gradual and highly expensive process. The tremendous increase in thermal power plants severely damaged the country although in many cases this involved emergency situations where the lack of foresight necessitated the adoption of hasty solutions.

Parallel to the reduction in consumption, it is indeed vital for Ecuador to identify new and greater proven reserves since the currently available reserves will last only another 18 years. This is why it is urgent to resume prospecting which had been suspended for more than 5 years due to demagoguery and senseless action; that is an incontrovertible national priority.

Ecuador certainly does not have sufficient technical and financial resources to undertake a massive prospecting program; besides, in any case, one could not justify the use of the nation's very scant economic resources along with high-risk investments; it is always preferable to have foreign enterprises undertake those high-risk investments. It is therefore absolutely indispensable to attract foreign technology and capital under conditions of equity for both sides.

Amending the hydrocarbons law is definitely a necessity and a step of the utmost urgency and importance to Ecuador. The country's current proven reserves are not enough and they will certainly not guarantee the country's petroleum future. It is therefore necessary to revive prospecting and to amend the law with a realistic and sensible approach.

5058

CSO: 3010/544

## BRIEFS

SATELLITE OBSERVATION POST ESTABLISHED--The National Polytechnical School has established a station for the observation of artificial earth satellites to conduct research which, it was noted, would help develop a better knowledge of our planet and the gravitational anomalies and which would also help reliably determine the earth's axis of rotation and its variations. It was also indicated that this observation mission will help predict and identify natural phenomena; this will be helpful to the country because Ecuador is located along one of the world's most active mountain ranges, that is, the Andes Range. These optical observations have been made by the National Polytechnical School on the basis of an agreement signed with the Academy of Sciences of the Soviet Union. The station mentioned is made up of an A.F.U.-75 photo camera and a long-range laser telemeter, both of which were installed as part of the Intercosmos Program. The camera is used to photograph artificial earth satellites, especially in connection with geodetic studies using flash ship [as published; bay, "nave"]. The laser telemeter makes it possible with great accuracy, it was said, to determine the coordinates of the artificial earth satellites. Using these new research instruments, it was indicated that the Quito Polytechnical School, with the help of the Academy of Sciences USSR, is contributing to the continuation of the astronomic research effort conducted in Ecuador while constantly improving existing techniques. The first step in this connection will be to determine the position of the equatorial line which offers the best conditions for the construction of an astronomic observatory, equipped with modern instruments and capable of developing the work being done today. [Text] [Quito EL TIEMPO in Spanish 6 Dec 81 p 3A] 5058

CSO: 3010/544



## OPPOSITION DEPUTY DISCUSSES NEED TO DEFEND SOVEREIGNTY

PY061456 Asuncion HOY in Spanish 5 Jan 82 p 10

[Excerpts] Deputy Ligia Prieto de Centurion, who is probably considered by her political adversaries to be the most controversial member of congress due to her frequent criticism of the government policy, met with this newspaper and answered several questions during the interview. As she has done in congress, the radical liberal deputy vehemently discussed several issues of political interest.

These are excerpts of her statements.

[Question] Taking into account the obstacles which a politician--of the opposition in your case--must face, what role does the opposition play in the current situation?

[Answer] Considering that the current regime has been ruling the country for almost 3 decades, through a political-economic apparatus which could be termed a gerontocracy, a real political genocide has taken place where the one who rules is the sole holder of power and the law, creating fear, uncertainty and--why not say so--complete skepticism in vast sectors of the citizenry. The role of the true opposition is difficult, it is an act of true heroism, but the struggle is necessary and it will have to carry it on. Inevitably some day the barriers which hold back democracy will give way to the pressure of our unwavering convictions. Some have already given up, but many of us continue in the difficult struggle for democracy to save the honor and dignity of the nation, as well as ourselves, in the eyes of history.

[Question] Do you believe that congress is the most appropriate place to make your many charges?

[Answer] As a parliamentarian I believe that congress is where the legislator should voice his criticisms and request information (to avoid infringing upon other jurisdictions). Because of this I am surprised that any government-party colleague should maintain that requests for information "seek to destabilize the government." Quite the contrary, it is those who continue committing crimes, abuses, and engaging in smuggling operations with impunity who are the ones who are really destabilizing not only the government but the prestige of the nation also.

[Question] What do you think and what is your attitude toward the way in which your statements before the Chamber of Deputies are treated?

[Answer] My attitude in view of the treatment I receive from government-party legislators, who are sometimes even rude and insolent despite congressional regulations, is to not get upset nor be influenced, because I understand that they react in this manner only because they have no argument to refute my charges, which is something they have never been able to do due to the evidence in the reports of abuses, smuggling and other irregularities which I bring up in Congress with my unwavering desire to defend the people's rights, whom I have the great honor of representing. Some deputies believe that they can face reason and truth with pompous rhetoric. I do not believe so and can assure you that nothing or nobody, no matter how loud they scream, will make me waver from my convictions and from the defense of what I believe is my truth.

[Question] What is your opinion of the role played by the Paraguayan Foreign Ministry in the defense of the national interests?

[Answer] There are issues which lead us to believe that the Paraguayan Foreign Ministry has been negligent. Such is the case of the diversion of the Pilcomayo River, the delay in renegotiating the Itaipu treaty in regard to the use and price of the energy to be sold to Brazil (annex C of the treaty). On two occasions I submitted the appropriate project to the Chamber of Deputies (1976 and 1979) but nothing was done about it.

Nor did the Paraguayan Foreign Ministry do anything about investigating the case of the Paraguayan citizens arrested and missing in Argentina which was reported 5 years ago. All these issues are a matter of sovereignty.

CSO: 3010/597

## INDUSTRY, GDP, FOREIGN EXCHANGE DEFICIT DISCUSSED

Lima EL COMERCIO in Spanish 9 Dec 81 p A-2

[Article by Ernesto Lanata Piaggio]

[Text] The Gross National Product has suffered a chronic lack of continuity in its growth rate, which is the most noteworthy characteristic of Peru's economic development throughout the quite broad period between 1950 and 1980.

Underdevelopment is the result of an irregular economic growth rate, plus a steadily rising population growth rate, plus a low rate of productivity (1.93 percent during the seventies).

The causes for this underdevelopment are basically instability in the political system, in taxation and economic regulations, and in the very concept of development.

Between 1950 and 1980, 27 budgets experienced deficits and only three ended up with surpluses (1959, 1960 and 1961). The deficits ranged from 0.14 percent of the Gross Domestic Product to 9 percent in 1981.

The Industrial GDP has grown more regularly and at a faster pace than the GNP, with the exception of the last 5-year period, due to the economic crisis of 1976-77. At that time a license was made mandatory for imports, which made the economy less dynamic.

## Foreign Currency Deficits

This means that industrial productivity and the comparative advantages built up by industry are highly dynamic and are a social function of the nation's situation.

Accelerated growth demands increasing imports of foreign inputs to support development, but since industrial production is geared primarily toward meeting the needs of the domestic market, the supply of foreign currency necessary to purchase such inputs should be provided by the primary export sector. Since agricultural exports plummeted and practically disappeared, as happened also with the fishing sector, mining and petroleum have been incapable of supplying all the foreign currency needed by the country. The upshot has been constant and growing deficits in our balance of payments.

## Food Dependency

This situation will become even gloomier by the year 2000 if we consider the large amount of foreign currency the government will need to feed the people of Peru.

The most tragic aspect of the food situation is that if we take into account the ideal diet that every Peruvian should consume, the food deficit for the year 2000 will double to about 19 million tons of food that Peru must import.

The sad part of this food dependency, as initially projected, is that medical science has shown that if children between 0 and 4 years of age do not receive an adequate diet in calories, proteins and other nutritional microelements, and if they do not receive parental love at the same time, by 4 years of age their cerebral development is arrested, jeopardizing their intellectual future as mature adults. All food consumed after that time only contributes to corporal development.

Will our country have a population of mental cripples by the year 2000?

## Failed Objectives

The statistics show that the growth of manufacturing in the country is slowing down, which indicates that the first postulate for the reduction of tariffs, reactivating national industry, has not been achieved. As for the second postulate, increasing employment, we do not yet have official statistics to tell us whether or not employment has been increased. The third objective, to combat inflation, has not been attained either. The general index has soared by 72.6 percent, with only three sectors showing lesser increases: food, beverages and tobacco; clothing and shoes (due to massive imports of textiles and footwear, at dumping prices); and finally, rent and housing and electricity consumption.

The manufacturing sector as a whole, excluding exportable production, has adjusted its factory prices by 36.1 percent. The factory price does not include costs and profits of marketing and distribution. The most seriously affected sectors have been the manufacture of fish meal, due to the shortage of raw materials; textiles, ready-made clothing and leather; and metal machining products (the latter two having been damaged mainly by the liberalization of imports). But all the other indices are greater than the change in consumer prices for Metropolitan Lima between December 1980 and May 1981, which was only 31.1 percent.

On the other hand, inflation in Metropolitan Lima between September 1980 and August 1981 reached the highest level in the history of Peru: 85 percent. It must be noted, however, that after June the government seemed to have managed to stabilize inflation somewhat.

In conclusion, the objectives connected with the liberalization of imports have not been achieved; on the contrary, we think they have prevented the government from cutting inflation.

8926

CSO: 3010/578

## LABOR MINISTER CONCEDES INFLATION TO REACH 70 PERCENT

Lima LA PRENSA in Spanish 11 Dec 81 p 1

[Text] Labor Minister Alfonso Grados Bertorini acknowledged yesterday that by the end of this year inflation will have reached 70 percent, not the 40 percent forecast by the government. He argued, however, that the purchasing power of wages has been maintained.

This is the first year that wages have not lost ground with respect to prices, he noted before departing for Baghdad, Iraq, where he will speak at the Second Conference of Labor Ministers of the Countries of the Non-Aligned Movement.

Dr Grados Bertorini stated also that the number of strikes has lessened considerably in December, and that at present only about 1,200 workers are on strike.

He pointed out that usually in December there are intensive collective bargaining sessions because all the parties want to settle their lists of demands before Christmas.

He then indicated that the conciliation process implemented by the Labor Ministry and the readjustment clauses in agreements provide a solution to the problem of inflation-eroded wages.

The minister of labor also stressed the importance of the installation of the National Labor Council, scheduled for next 2 January, with the participation of all the country's labor unions.

As for the conference in Baghdad, the minister announced his decision to speak about the strengthening of social cooperation that exists in Peru, which has sparked interest among the countries of the Non-Aligned Movement.

He said that one of the most important aspects of this ministerial meeting will be the establishment of a new permanent technical cooperation headquarters for the non-aligned countries (at a place still to be determined), which will be financed by the member countries themselves.

The meeting will be attended by some 100 representatives of different nations; Grados Bertorini will also attend in his capacity as president of the Conference of Labor Ministers of Latin America.

8926

CSO: 3010/578



## IMPORTANT COMMISSIONS CREATED TO PROTECT INDUSTRY

Lima EL COMERCIO in Spanish 9 Dec 81 p A-17

[Text] National industry will be afforded sufficient protection and incentives by three major commissions created by the draft Law on Industries, approved by the Chamber of Deputies. These commissions are the Tariff Protection Commission (CONAPA), the Imports Qualification Commission, and the Commission on Incentives for Industrial Products Exports.

The first commission, CONAPA, is to issue technical opinions on proposals to modify the Customs Tariff, which will be made by Supreme Decree upon approval of the Council of Ministers after a technical report by that commission.

The Imports Qualification Commission will be responsible for protecting national industry from competition by underpriced imports and other forms of unfair competition.

The Commission on Incentives for Industrial Products Exports, on the other hand, will issue opinions on the qualification of products and the determination of the percentages of Tax Rebates. Sixty days after its inception, this body will proceed to review those incentives, proposing to the Executive the modifications it deems pertinent.

## CONAPA

The creation of the National Tariff Protection Commission is based on the assumption that the national tariff policy is one of the fundamental elements in the promotion of national industry.

This industrial promotion will be undertaken in accordance with the following norms: a) to protect industry from competition by similar products from other countries; b) to promote the manufacture of new industrial products until an adequate level of competition is attained; and c) to adhere to the Common External Tariff of the Cartagena Agreement and similar instruments.

This agency will be made up of two representatives of the Ministry of Economics, Finance and Trade, one of whom will be the chairman; two representatives of the Ministry of Industry, Tourism and Integration; two from the Association of Industries, one of whom will represent the provincial industries; and two from industrial workers, to be designated by the Ministry of Labor and Social Promotion.

Modifications in the Customs Tariff may be proposed by the ministries, private parties through their representative institutions, and state enterprises through the ministry of the sector corresponding to the activity they are involved in.

#### Import Qualification Commission

The functions of the Import Qualification Commission will include the following: to study and resolve cases of imports at unusual prices; to recommend specific actions to customs authorities to supervise certain imports; and to order readjustments of the declared values and set minimum official prices.

Another function of this commission will be to enforce compensatory fees and additional surcharges; it will also order the return of goods that have arrived in the country for sale at unusual prices; and it will recommend the exclusion of the importer from the National Importers Registry in cases of violations of the legal provisions governing the pricing of imports.

This commission will consist of two representatives of the Ministry of Economics, Finance and Trade, one of whom will be chairman; two from the Ministry of Industry, Tourism and Integration; two from the Association of Industries; and two to be designated by the representative bodies of the commercial sector.

The General Customs Office of the Ministry of Economics, Finance and Trade will serve as the commission's Technical Secretariat.

#### Raw Materials

The draft Law on Industries states that traditional raw materials exports should serve primarily to supply national industry.

The sales price of such raw materials when sold to national industries should be based on international prices, and cannot be higher than the lowest price at which such materials are exported, deducting costs such as international freight, insurance, shipping costs and others which are incurred while sending such raw materials to foreign markets.

The legal measure adds that under no circumstances may the terms of sale abroad be more favorable than those granted to national industries.

Moreover, imported inputs for manufacturing will under no circumstances pay the same or higher tariffs than imported finished goods similar to those manufactured with such inputs by national industries.

The virtual Law on Industries has another series of provisions that have been supported by the different business sectors.

It states that natural or juridical persons dedicated to industrial production must register with the Industrial Registry.

In order to sign up with the Industrial Registry, a business must certify that its facilities are in legally approved conditions for beginning production, and it must present proof of authorization by the competent agencies for location and use.

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## BRIEFS

YPFB 5-YEAR PROGRAM--The Bolivian Hydrocarbon and Energy Ministry reported today that the objective of the YPFB [Bolivian Government Oil Deposits] 1981-1985 program calls for the discovery of new hydrocarbon reserves totaling 90 million barrels. The plan also calls for increasing the national production of oil and condensed and liquid gas. [Buenos Aires TELAM in Spanish 1830 GMT 2 Dec 81 PY]

CSO: 3010/597

## BRIEFS

**OIL WELL DRILLING**--Petrobras has announced that since oil exploration in the Rio Grande do Norte State resumed in 1979 123 oil wells have been drilled, 117 more will have been drilled by the beginning of 1982, and another 223 in the 1982-85 period. Over the 1981-1985 period total of 340 oil wells will have been drilled in that state. [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Nov 81 p 26]

**OIL, GAS RESERVES**--Petrobras President Shigeaki Ueki has reported a 7.8 percent oil reserves increase in 1981, to 1,444,000 barrels, and 8.2 percent gas reserves increase, to 56,831,000 cubic meters. This year 220 million barrels of oil and gas worth \$8 billion has been discovered. [Sao Paulo FOLHA DE SAO PAULO in Portuguese 22 Dec 81 p 19]

**ALCOHOL-DRIVEN TRACTOR**--The Brazilian Tractor Company (CBT) has begun to offer for sale a 112 hp tractor which runs on alcohol. The CBT recommends this tractor exclusively for operation in sugar and alcohol agroindustries. [Rio de Janeiro JORNAL DO BRASIL 16 Dec 81 p 19]

**1982 ITAIPU BUDGET**--The Itaipu Binational Enterprise 1982 budget will amount to \$2,042,302,700, of which \$625 million will go to service financial obligations and \$1,417,000,000 in investments. [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Dec 81 p 28]

**OIL RESERVES**--Mines and energy Minister Cesar Cals has revealed that Brazil's oil reserves now stands at 1,600 billion barrels. This is mostly due to a discovery in the Campos Basin, off the Rio De Janeiro coast. [Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Nov 81 p 15 PY]

**LOAN CONTRACT**--Eletrosul [Southern Electric Power Plants] President Thelmo Thompson Flores today signed a \$130 million loan contract with a consortium of European companies formed by the Skodasport, Deutsche Babcock and Andalso Impianti. This loan will buy equipment for the thermoelectric plant Jorge Lacerda 4, in Tubarao, Santa Catarina State. [Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Dec 81 p 19]

## COAL RESERVES EXPECTED TO EASE ENERGY PROBLEM

Lima EL COMERCIO in Spanish 11 Dec 81 p A-20

[Text] Trujillo--The energy problem stemming from the shortage and high cost of petroleum, experienced all over the world, could be alleviated in Peru with the coal reserves it possesses, particularly in the department of La Libertad. This assertion was made at the Fourth National Chemical Engineering Conference.

It was revealed that Peru is in 17th place in the world in terms of coal reserves, estimated at 1.1 billion metric tons.

It was stated that coal is thus one of the country's most important energy sources, and can be used principally in what is known as the first horizon, that is, within 10 or 20 years. It will be possible to exploit these deposits or in to the 21st century, when the second horizon will be utilized.

Meanwhile, in Ica, Hugo Delgado Beraverte stated in a lecture he gave at San Luis Gonzaga University that by the year 2000, coal will be a much more important source of energy than it is today, because it can be used to produce gasoline, lubricating oils and synthetic gas. The latter can be used in land transportation by means of technology already in use in South Africa, where more than 40 percent of the fuel consumed comes from this source.

At the Fourth Chemical Engineering Conference, the government's founding of the so-called "Pro-Coal" agency for the development and marketing of this fuel was hailed. This agency will be charged with studying coal as an energy source and will carry out the Alto Chicama Project, which is linked to the development of the nation and of the department of La Libertad.

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CSO: 3010/578



## LAUNCHING OF TAURO-9 ROCKETS SUCCESSFUL

PY241844 Buenos Aires TELAM in Spanish 2257 GMT 10 Dec 81

[Text] Chamical (La Rioja), 10 Dec (TELAM)--Colonel Edgardo Stahl, director of the Institute of Aeronautics and Space Research [IIAE], termed successful the launching of the Tauro-9 rocket today from CELPA-1 [expansion unknown] of the military airbase in this city in the Province of La Rioja.

The launch took place at 1500, after one postponement due to severe weather conditions and was observed by a delegation of high-ranking officers of the air force, army and navy.

Due to its results, today's experience closes the use of the Tauro rockets series as a vehicle suitable for the development of the first stage of the national plan for the evaluation of natural resources.

The Tauro-9 rocket, with two stages with a weight of 98 kg and an 8-minute flight time which took it to 130 km in altitude, fully fulfilled all tests to which it was submitted, including the events and alternatives it was transmitting by telemetric signals for recording by ground stations installed in the casemate of the launching pad and in neighboring zones, and also the trajectory, which was followed by a network of radars.

Equipped with a photographic camera in the nose, the rocket was taking pictures at different altitudes while rising and descending, with the objective of locating and evaluating natural resources, which will be then interpreted by a team of experts in the subject.

In a talk with TELAM, the IIAE director expressed satisfaction over the results of the test and of the rocket's behavior at this stage of the program.

We spent 2 years of intensive work in which all personnel affected by the project put out their best efforts to achieve this successful result, Colonel Stahl stated.

He announced that next year, and within the same national plan of detecting and evaluating natural resources, a rocket project of the Sirio 200/300 type will be developed. This means, the colonel explained, raising a payload of 200 kg to an altitude of 300 km, the tests for which were carried out by the CELPA-1, under conditions of security.

When we move to the future types of longer-range rockets, perhaps we will have to choose a much narrower strip, but we feel that until 1985, the experimental launching center for self-propelled rockets [centro experimental de lanzamiento de proyectiles autopropulsados] will be suitable for these tests.

CSO: 3010/598

COUNTRY SECTION

ARGENTINA

BRIEFS

UNIONS' BYLAWS APPROVED--Buenos Aires, 30 Dec (TELAM)--The Labor Ministry today approved the statutes of 13 union organizations and granted field of action to 85 others, thus accomplishing an important stage in the process of normalization of labor union organizations. One of the unions which had its field of action approved is the trade employees federation, which has over 120,000 members. [Text] [PY311749 Buenos Aires TELAM in Spanish 2221 GMT 30 Dec 81]

CSO: 3010/598

## BRIEFS

MNRU LEADER ON DIALOGUE--La Paz, 5 Jan 82 (TELAM)--Jorge Lema Patino, a Bolivian political leader and former minister, has stressed on behalf of the United Nationalist Revolutionary Movement (MNRU)--now in recess--the need for a sincere and constructive dialogue to overcome the country's present situation. Lema Patino, a former minister during Gen Hugo Banzer Suarez' administration, pointed out that the principles which have been applied as of July 1980 have taken Bolivia to the brink of an economic collapse, a moral breakdown and a social confrontation. He also asserted that the unilateral policy which is being applied by Gen Celso Torrelio Villa's administration will not promote a just solution to the serious national problems. The leader pointed out that he will vigorously stimulate a political understanding which would be conducive to building a pluralist, strong and responsible democracy, which would be capable of restoring freedom and of establishing social justice in the country. [Text] [PY062035 Buenos Aires TELAM in Spanish 1450 GMT 5 Jan 82]

CSO: 3010/597

## GUERREIRO ANALYZES 1981 FOREIGN POLICY, VIEWS 1982

Brasilia CORREIO BRAZILIENSE in Portuguese 13 Dec 81 p 32

["Highlights" of interview with Foreign Affairs Minister Ramiro Elysio Saraiva Guerreiro on 12 December in Brasilia: "Guerreiro Sees 1981 as Difficult Year"; name of interviewer not given]

[Text] During a year of tension, in which world conditions at times went through severe difficulties, Brazil's foreign policy, conducted by Foreign Affairs Minister Saraiva Guerreiro, put Brazil in a firm, balanced and respected position in its foreign affairs. "Without seeking positions of leadership or any other type of influence, Brazil's foreign policy, based upon one of the guidelines recommended by President Joao Figueiredo--universalism--acted throughout 1981 in a spirit of peaceful coexistence and with an attitude of consistency and reliability," Minister Saraiva Guerreiro said yesterday.

In analyzing Brazilian foreign policy this year, Minister Saraiva Guerreiro said that, although 1981 had been a difficult year in terms of international conditions, Brazil's relations with the various countries remained very good, especially in geographical areas of priority where the government has been maintaining more direct and immediate contact, such as Latin America.

Including chiefs of state, foreign ministers and other cabinet members, vice presidents and other authorities, Brazil hosted 63 visits this year, which Guerreiro considered "a really extraordinary rate," when compared with the 49 that took place last year. The foreign affairs minister considers this an indication, although a very superficial one, of the growing interest of other countries in their relations with Brazil and also of the vigor of Brazil's foreign policy, which is conducted in a balanced, rather than dramatic, way.

Highlights of the interview are the following:

[Question] Mr Minister, analyzing Brazilian foreign policy, what aspects would you stress as most favorable for Brazilian diplomacy in 1981?

[Answer] From the viewpoint of world events, it was a difficult year, a year of tension. But Brazil's relations with the various countries remained very good in those geographical areas where we have more direct, more immediate contact and that are of priority for us.

Let's look at relations with Latin America, for example. There were outstanding events, such as the president's visit to Colombia. It was the first time a president of Brazil had visited Colombia.

Our president also visited Peru, a trip in June of this year characterized by a number of agreements of understanding useful to both countries.

Likewise, the president had a working meeting at the border, in the Argentine city of Passos de Los Libres, with Argentine President Viola, thus continuing the series of visits and meetings that have demonstrated the excellence of the current stage of relations with Argentina.

Furthermore, Luiz Herra Campins, president of Venezuela, was here during August.

We realize there are tensions, serious tensions in our region and Brazil has taken an attitude of scrupulous respect for the principle of nonintervention and an attitude of cooperation whenever possible, as it demonstrated once again during the recent OAS assembly in St. Lucia, a new state of the Caribbean.

On that occasion we had to deal with some particularly delicate subjects in a very informal way and our position, I would say, was--under the circumstances--proper, with the balance and thoughtfulness it has demonstrated and that have been respected by all sides on all positions.

[Question] How were relations with the United States?

[Answer] In our relations with the United States, as a new president took office there, there were several meetings, including a visit here by U.S. Vice President George Bush. I met several times in Cancun, at the UN General Assembly and, more recently, at the OAS assembly with Secretary of State Alexander Haig. We have several problems, especially in the trade area, with the United States but we have tried to resolve them, bypass them and keep them from getting worse through negotiations and meetings.

[Question] Was there any development in relations with Africa?

[Answer] In regard to our neighbors on the other side of the Atlantic, the Africans, our policy, our relations have also been marked by increasing cooperation and constantly better understanding.

I had the opportunity to visit Nigeria on the occasion of the joint commission's meeting. It was a very interesting visit. I also visited Senegal and, in October, we received here the visit of Mali's president. We were also visited by the Congo minister of the interior, Mozambican Foreign Minister Joaquim Alberto Chissano. And they were all very useful visits that showed, at all times, a level of relations that could be called privileged.

[Question] What about relations with Europe, the Middle East, Far East and Oceania?

[Answer] In the case of Europe, one need only recall the president's visits to the FRG, to France, to Portugal this year and several contacts at the ministerial level, including my own recent visit to Great Britain. This year we also received several European dignitaries here.

In the Middle East, our relations are going very well. This year we had a visit by the Saudi Arabia Foreign Affairs Minister and several dignitaries from other Arab countries, such as the Iraqi trade minister and even from more distant regions, such as the Far East and Oceania. There were numerous visit exchanges with Japan, and the deputy prime minister of Australia was also here.

So it can really be said that Brazilian foreign policy was inspired by one of President Figueiredo's guidelines, which is universalism. At the same time it was conducted always within the framework of coexistence, consistency and reliability, which is indispensable, which is a reflection of a concept of national dignity, and which are also aspects of the foreign policy announced by the president since the beginning of his administration. Hence, 1981 undoubtedly reflects the basic guidelines that have been followed since the beginning of this administration.

[Question] Mr Minister, in regard to prospects for 1982, can we expect as good a year as we had in 1981?

[Answer] I think so, substantially, because we are guided by certain ideas, certain policies. We are not going to change them and we are convinced that they are correct. It can be said that our responsibilities have increased, and our opportunities also, but we do not seek a position, let us say, of leadership or any other influence. In this respect we have a view of the international order that is basically a humanist view, a view inspired by the needs of development, the need to keep the peace, without any concern for prestige as such. And we believe this is a rational attitude and the opinion that prevails in other countries also. So we have an expectation that the future will be even better than the past.

[Question] Mr Minister, your appointments this year culminated in your trip to London, followed by participation in the OAS meeting at St. Lucia. What visits and trips do you have planned for 1982?

[Answer] For 1982, the only one that is definite--in fact, has already been postponed due to reasons of health, the operation I had--is to Suriname and Guyana. There are no less visits here by foreign ministers of other countries but I have no visits with firm dates other than those two.

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CSO: 3001/56



## FOREIGN DEBT MAY REACH \$70.1 BILLION BY END OF 1982

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Dec 81 p 35

[Text] The government estimated that the foreign debt will reach \$70.1 billion by the end of 1982, which is 14.2 percent greater than the \$61.4 billion forecast for this year. According to a document distributed yesterday during a meeting of the National Monetary Council, "indicators of foreign debt based on balance-of-payments data show the possibility of an improvement in external accounts during 1982 in comparison with 1980 and 1981."

The net debt-to-exports ratio will thus fall, in the basic assumption considered by authorities, to 2.26 in 1982, from 2.33 in 1980 and 2.32 in 1981. The debt service-to-exports coefficient, moreover, at 0.60 in 1982, should also fall from that estimated for 1981, which is 0.70.

Also according to the same projection, nonregistered (short-term) debt, which will grow by \$1 billion this year, should repeat the same amount in 1982.

## Services

The official document assumed that next year the average LIBOR [London Inter-Bank Offered Rate] will be about 16.5 percent per annum, compared with an average rate of 17.375 percent as of June 1981, charged on the part of the debt with fluctuating rates. Should that assumption materialize, gross expenditures for interest payment would rise to \$10.7 billion in 1982, taking into account the position of the foreign debt in December of this year and capital inflows expected for the first half of 1982.

Deducting \$1.2 billion of receipts, net interest expense would be \$9.5 billion. "This estimate," the document asserts, "may be considered conservative, as it is not improbable that the LIBOR, as occurred at the end of 1981, will stay, on the average, below 15 percent during the first half of 1982." If this happens, interest expense would be about \$10 billion and the current-transaction deficit would fall to \$9.4 billion, compared with \$10.1 billion in the basic hypothesis.

## Capital Flows

With the results projected for current transactions--deficits between \$9.1 billion and \$11.1 billion--total funds needed to finance the balance of payments will be

from \$16.3 billion to \$18.3 billion. "For purposes of comparison," says the document, "it is noted that for 1981 needed funds were estimated between \$18 billion and \$20 billion, thus more than the amounts forecast for 1982."

The increase to \$1.9 billion in (net) foreign investment "is based not only on the continued flow of such capital but also on participation by foreign capital in major projects now underway," the document adds.

Projections of financing by international organizations, government agencies and supplier's credits were estimated, in the basic assumption, at \$1.8 billion, while currency loans were projected at \$13.6 billion, compared with \$15.9 billion forecast for the current year.

Of this \$13.6 billion to be borrowed in international financial markets, \$7.2 billion is to roll over the debt and \$6.4 billion is net additional funds, compared with \$8.2 billion in 1981. "Even assuming additional borrowing for growth of \$1 billion of reserves," says the document, "the total to be raised in the market (\$14.6 billion) would be \$1.3 billion less than estimated for 1981 (\$15.9 billion)."

The document comments that the possibility of counting on new exchange negotiations for exports (\$633 million in 1981), together with funds resulting from the 1981 carryover (estimated at \$2 billion compared with \$1.2 billion in 1981), "could reduce even more the need for borrowing currency funds through the mechanisms of Law No 4131 and Resolution 63, in relation to the original estimates."

### Three Hypotheses for Balance of Payments

The document on "Foreign-Sector Programming for 1982" distributed yesterday during the National Monetary Council meeting assumes, in the basic assumption, that the trade balance next year will have a surplus of \$3 billion, with exports of \$28 billion and imports of \$25 billion. In the other two hypotheses, the trade surplus is \$2 billion (exports of \$27 billion and imports of \$25 billion) and \$4 billion (exports of \$28 billion and imports of \$24 billion).

In the basic hypothesis, exports (of \$28 billion) will increase 19.1 percent over last year. "More favorable trends in commodity prices, expected recovery of European currencies against the dollar, increasing competitiveness of Brazilian goods in European markets, as well as some recovery of the industrialized economies are factors that would have favorable impact on Brazilian exports next year," according to the document.

### Exports

Exports of industrialized goods (manufactured and semi-manufactured) were estimated at \$17 billion, with an expansion of 23.2 percent, less than the trend of recent years. According to the document, "a conservative estimate was chosen, assuming a more modest rate of growth, especially for semi-manufactured goods." For manufactured goods, however, authorities expect a better performance, through continued fiscal and credit incentives that will assure a flow of funds to the sector of about 424 billion cruzeiros.

## Balance of Payments

The following are the projections of the 1982 balance of payments under the three assumptions considered by the authorities and a comparison with the amounts recorded in 1981 [in billions of dollars]:

Item	1981 (1)	1982 Hypotheses:		
		I ("Basic")	II	III
I Trade balance (FOB)	1.2	3.0	2.0	4.0
Exports	23.5	23.0	27.0	28.0
Commodities	9.7	11.0	10.0	11.0
Industrialized products (2)	13.8	17.0	17.0	17.0
Imports	22.3	25.0	25.0	24.0
Crude oil	10.0	10.3	10.3	9.3
Other imports	12.0	14.7	14.7	14.7
II Services (excluding reinvestments)	-12.0	-13.3	-13.3	-13.3
Interest (net)	- 8.7	- 9.5	- 9.5	- 9.5
Other services (net)	- 3.3	- 3.8	- 3.8	- 3.8
III Unilateral transfers	0.2	0.2	0.2	0.2
IV Current transactions	-10.6	-10.1	-11.1	- 9.1
V Capital flows	10.9	10.1	11.1	10.1
Net investment (excl. reinvestment)	1.5	1.9	1.9	1.9
Financing by international organizations, government agencies and supplier credits (3)	1.2	1.8	1.9	1.7
Currency loans and other capital	15.9	13.6 (4)	14.5	13.7
Amortizations	- 7.7	- 7.2	- 7.2	- 7.2
VI Surplus	0.3	-0-	-0-	1.0

### [Notes]:

1. Preliminary estimates.
2. Excludes refined and crystal sugar and instant coffee and includes "special transactions."
3. Includes (net) Brazilian foreign financing.
4. Includes errors and omissions.

Source: BACEN [Central Bank]

For commodities, the government forecasts exports of \$11 billion, an increase of 13.4 percent over the amount estimated for this year. This estimate depends upon the performance of coffee exports--increasing market share from 14.5 million bags to 15.5 million bags--and upon a more favorable price situation leading to exports of \$2.6 billion compared with \$1.8 billion in 1981. The other assumption for exports

(\$27 billion) assumes the possibility of less favorable sales of some commodities, representing an aggregate expansion of \$1 billion less than the basic hypothesis due to more modest price increases for these products, especially coffee and sugar.

#### Imports

The forecast for imports of \$25 billion in 1982, according to the basic hypothesis, assumes a 12.1 percent increase "which, given expectations of U.S. inflation, signifies some expansion in real terms, compared with a trend of no growth in recent periods," the document points out.

In regard to petroleum, the document suggests two estimates that combine assumptions about gross physical volume imported (830,000 barrels and 750,000 barrels daily) with the anticipation of the average price being \$34 per barrel. The larger volume would repeat the result estimated for 1981 (\$10.3 billion), whereas the smaller amount would respond to the impact of increased domestic production of petroleum and substitutes, as well as a decline in consumption resulting from more realistic pricing policies. In such a case imports would fall to \$9.3 billion.

For other imports, an increase of 22.5 percent was projected, considered by authorities "a wide margin," even taking into account recovery of the industrial sector in 1982.

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CSO: 3001/57

## FOREIGN CURRENCY RESERVES RISE TO \$7.5 BILLION

Rio de Janeiro O GLOBO in Portuguese 31 Dec 81 p 17

[Text] Brasilia--Jose Carlos Madeira Serrano, director of the Foreign Area of the Central Bank, said yesterday that in 1982 "Brazil will have results to show bankers and not just expectations." This year, assured receipts of \$18.48 billion in foreign loans allowed the nation to raise its foreign-exchange reserves to \$7.5 billion and still leave \$2.44 billion of loans to be received in 1982.

The Central Bank's projections indicate that balancing external accounts will require borrowing \$13.6 billion in 1982. As \$2.44 billion has already been arranged, negotiation of additional loans will involve \$11.16 billion, enough to roll over the debt and cover the current-account deficit.

Madeira Serrano said there is reason to celebrate the end of 1981. His preliminary data indicate that the nation's trade surplus reached \$1.3 billion and the service-account deficit did not exceed \$11.8 billion. Thus, with a \$200 million positive balance in unilateral transfers, the current-account deficit fell from \$12.47 billion in 1980 to about \$10.4 billion this year.

## Adjustment

Brazil arranged for \$17.34 billion in currency loans and still had \$1.14 billion from transactions arranged in 1980 to be received this year, which assured a total flow of \$18.48 billion. In other items of the "capital flow" account, the nation had net direct investment of \$1.56 billion through 23 December and import financing of \$1.2 billion from international organizations and government agencies.

The decline of the current-account deficit to \$10.4 billion and the favorable balance in capital flows enabled the nation to raise its exchange reserves during the year from \$6.9 billion to \$7.5 billion. The Central Bank director attached great significance to the increase in reserves, achieved despite a bookkeeping loss in gold reserves.

From January to December gold reserves felt the impact of the decline in the metal's average price quotation from \$609.38 to \$410.54 per troy ounce. Central Bank estimates show that the decline in the international price for gold cost \$437.6 million in reserves. In compensation, and reducing the accounting loss to \$239.7 million, the nation incorporated 10,000 kilograms of gold into its reserves during 1981.

For next year, the reduction to \$11.16 billion in money to be borrowed will reduce Brazil's pressure on the international financial market, together with expansion of reserves and an expected trade surplus of \$3 billion. Madeira Serrano believes Brazil can begin reducing the cost of the money it borrows.

According to him, the current spread (risk premium charged in addition to basic international interest rates) of 2.25 percent cannot last, as the nation is in a different situation for balancing its external accounts than prevailed at the end of 1980 when expectations of the international financial community were unfavorable. In coming loans, the Central Bank director now expects the spread to drop to 1.75 percent.

The relative leeway in the balance of payments led the Central Bank to take a firmer position against moderating the terms of Decree-Law 1401 as a way to stimulate entry of foreign capital into the nation's stock exchanges. Madeira Serrano emphasized that Brazil exercises "extreme caution" in regard to foreign investments to avoid "speculative capital."

This year loans made through domestic banks and direct borrowing by the private sector totaled \$8.5 billion, representing 49 percent of loans obtained. In 1982 the private share of foreign borrowing should increase, not only to maintain control over normal cruzeiro investments but also due to the higher cost of domestic credit.

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CSO: 3001/56



## GALVEAS VIEWS 1981 ECONOMIC POLICY RESULTS, 1982 GOALS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 27 Dec 81 p 31

[Interview with Finance Minister Ernane Galveas by Rosa Dalcin in Brasilia: "Galveas: Growth Without Jeopardizing Goals"; date of interview not given]

[Text] "Every effort will be made to grow as much as possible, without such growth affecting the commitments and objectives of strengthening the balance of payments and reducing the rate of inflation," said Finance Minister Ernane Galveas in commenting on the prospects of increasing the Gross Domestic Product (GDP) in 1982, after the guidelines given by the National Monetary Council.

In an exclusive interview with O ESTADO DE SAO PAULO and JORNAL DA TARDE, Galveas did not wish to set goals, although remarking that the government expects Brazil to return to its secular economic growth rate of about 7 percent annually. This may not be possible next year, however, when the growth rate will still be strongly influenced by the effects of worldwide recession. "The financial and exchange measures are intended to stimulate growth within their possibilities," he remarked.

Despite the effort made during 1981 to realign the nation's economy within more internationally acceptable parameters, which led to much sacrifice by society, with thousands of unemployed, the finance minister does not believe that pressures during an election year will cause everything to be lost and force a brand-new start in 1983. "On the contrary, on several occasions President Figueiredo has said he will maintain in 1982 with all firmness and objectivity his resolve to fight inflation and reduce balance-of-payments difficulties," he asserted.

In regard to economic performance in 1981, the finance minister believes there was "marked progress" in the agriculture, mining, energy and export sectors and that monetary policy was conducted with "much more effectiveness and discipline than in previous years." In the fiscal field, where an effort is still underway to control public expenditures, especially by the state enterprises, the results are considered "quite satisfactory," while those of exchange policy are called "highly satisfactory."

The finance minister does not consider "frustrating" the fact that exports amounted to only about \$23 billion: "The fact that exports did not reach \$25 billion is due much more to factors of the international market, full of restrictions and barriers of all types, than to the effort or will of the exporter." Galveas also believes that reaching an inflation rate of 95 percent satisfies the government, in view of its having been near 130 percent.

#### Election Should Not Change Policy

[Question] In your opinion, what were the most outstanding results of the economic policy pursued in 1981?

[Answer] As favorable aspects we would have to stress especially the results achieved in agriculture, mining, energy--where there was a considerable increase in petroleum production--and exports. These aspects very distinctly demonstrate progress that, in large measure, compensates for the setback experienced by industry.

[Question] How do you analyze execution of monetary, fiscal and exchange policy?

[Answer] I think we greatly improved the mechanism for controlling the financial system and the Bank of Brazil, whose transactions were held within the limits set by the National Monetary Council. In previous years administration of monetary policy was done in a more difficult way and at variance with the goals planned for the Bank of Brazil. It could not always, due to the subsequent decisions of the Monetary Council itself, manage to remain within the parameters set at the beginning of the year. In 1981 the Bank of Brazil kept very close to the limits set by the monetary budget and this greatly helped monetary policy. We also had constant activity by the Central Bank in the capital market which, through a very intelligent and rational policy, permitted selling over 500 billion cruzeiros in government bonds. These two factors contributed greatly toward monetary policy in 1981 being conducted with much more effectiveness and discipline than in previous years.

In regard to fiscal policy, where we are still in the midst of an effort to control public expenditures, especially by state enterprises, it should be stressed that we are meeting with quite satisfactory progress and change. SEPLAN [Planning Secretariat], through SEST [Secretariat for Control of State Enterprises], has been increasing the extent of its knowledge about expenditures for the investment programs of these companies and we now sense a constant improvement in this area. Results for 1981, however, were heavily burdened by higher international interest rates, as these companies are overloaded with big projects financed by foreign currency, and by domestic inflation, which put an additional burden on commitments already made by these companies, overloading their budgets. This forced the government to make an enormous sacrifice to promote financing of additional funds.

As regards exchange policy, results were highly satisfactory. The policy of real minidevaluations was followed without interruption, which helped not only promote appropriate and wholly satisfactory expansion of exports of manufactured goods, but also to give Brazilian exporters greater confidence.

[Question] Is the government satisfied with the results of the fight against inflation?

[Answer] I think so. There was a point, during the second half of 1980 and the first few months of 1981, when inflation was close to 130 percent, which threatened a nearly disastrous result for the current year. We reversed this position beginning in May, when price indices began rising less rapidly. It then became clear that the monetary and fiscal policies that had been carried out were beginning to produce their first results. The fact that, after having reached an inflation of about 130 percent, we are ending the year with 95 percent inflation is an extraordinary result. Extraordinary in relation to the course that inflation had been taking and extraordinary in relation to 1980, when the rate reached 110 percent. It should be stressed that, in terms of the National Consumer Price Index, inflation will be less than 90 percent.

[Question] In the field of exports, isn't it a little frustrating for someone who set a goal of \$25 billion to reach a final result of only about \$23 billion?

[Answer] No. Naturally, we set ambitious goals in order to stimulate and challenge the export sector. The fact that we did not reach the level of \$25 billion is due much more to factors in the international market, full of restrictions and barriers, than to the effort and desire of the Brazilian exporter to sell his products in foreign markets. We were quite pleased, in fact, because this shortfall was due to random factors related mainly to commodity prices. Had it not been for lower prices of coffee, sugar, soybeans and cocoa, we would have had a much better result. Brazil's loss due to terms of trade represented \$2 billion in the trade balance. This means we would have surpassed the goal had it not been for these adverse factors originating abroad.

[Question] In noting that this year economic growth will be about zero or even negative, shouldn't it cause the government to moderate the economic policy it has followed and admit that its medicine was too strong?

[Answer] No. I have tried to dispel this cause-and-effect relationship between growth of national output and measures adopted by the government. When the government began adopting more rigorous measures in fiscal and monetary policy it was because it already foresaw a significant short-term decline in growth of economic activity in Brazil. From the moment that inflation began to show a rising trend and rose above 77 percent in 1979 to 110 percent in 1980 and showed a tendency to accelerate, we began to sense in all areas in the public as well as the private sector a rapid and significant decline of investment. Any economic analyst knows that, to the degree that the rate of investment declines, during a subsequent period inexorably the growth rate of national output will fall. This is what happened in Brazil. The reduction of investment, motivated by uncertainty and the burden that inflation itself and the interest rate represented for the budget of public enterprises, carried investment to a lower level than in previous years. This caused a drop in output, especially in industry. We should emphasize, meanwhile, a very important component, which is the automobile industry. This industry was hit hard in 1981 and is a sector that has important multiplier effects in other areas such as metallurgy and devices related to the automobile sector. To the extent that the government was forced to foster a rapid and sizable increase in prices for petroleum derivatives, the cost of maintaining an automobile became a much greater burden for the buyer. Combined with this, the industry raised prices of its cars at a much greater rate as a way of making up for the lower production.

This led to a decline of demand, estimated at 35 percent. Combined with this specific fact of the decline in the automobile industry, a leading sector in domestic industry, are the international factors. It was very difficult to expect that growth of domestic industry would not be negative.

[Question] For next year, what is the government's goal in terms of growth of national output?

[Answer] The government expects Brazil to return to its secular economic growth rate of about 7 percent.

[Question] Is that valid for next year?

[Answer] It may not yet be possible to reach this rate next year because we are now experiencing a world recession. Reduction of transactions with the international market reduces our growth possibilities because the balance of payments is the factor of greatest restraint for economic growth. If the economy grows only a little this year or about zero, the possibilities for 1982 are much more favorable. Why? Because in 1981 it was affected by a number of factors that will not be repeated in 1982. For a national product of \$250 billion, Brazil lost this year about \$5 billion due to lower commodity prices and higher interest rates, which was a burden on the foreign debt. Now, if we lost nearly 2.2 percent of national product, just as a result of these factors, we can assume that the economy will recover at least 2.2 percent next year.

[Question] Is a rate of 5 percent the goal for 1982?

[Answer] No. The government is not setting any quantitative goals for economic growth. Brazil, in keeping with the orientation of its economic policy, will grow as much as possible. All the economic, financial and exchange measures are for the purpose of stimulating economic growth within their possibilities. Within their possibilities means using all the factors of production--land, labor, natural resources, idle industrial capacity and exports--to impart to Brazil an accelerated rate of growth. But this program has limitations. The first is the balance of payments; we cannot lose sight of the balance of payments. We cannot promote domestic growth of the economy to such an extent that imports increase and create serious problems in external accounts. Moreover, we cannot stimulate increased domestic economic activity through the inflationary process and thus create a series of other problems from which we are trying to free ourselves. Every effort will be made to grow as much as possible without such growth affecting our commitments and objectives to strengthen the balance of payments and reduce the rate of inflation.

[Question] Aren't you afraid that the natural pressures of an election year will cause a loss of the whole effort made thus far, which has imposed a very great sacrifice on society?

[Answer] No. I have confidence in conducting the political process as it has been done by President Figueiredo. I think the political process will develop normally. Of course, with all the nuances we are seeing today in the behavior of the opposition parties. But I don't think this will affect conduct of economic policy next year. On the contrary, on several occasions President Figueiredo has declared he will maintain in 1982, with all firmness and objectivity, the purposes of combating inflation and reducing balance-of-payments difficulties.



## NOVEMBER UNEMPLOYMENT AVERAGES 7.66 PERCENT IN SIX MAJOR CITIES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Dec 81 p 30

[Text] Rio de Janeiro--The November unemployment rate in the Sao Paulo metropolitan region was 7.05 percent, compared with 6.92 percent the previous month. Rio de Janeiro was the metropolitan region with the highest unemployment index last month (8.78 percent), followed by Salvador (8.46 percent), Belo Horizonte (8.21 percent), Recife (7.74 percent) and Porto Alegre (5.06 percent). Compared with October of this year, there was a decline in the unemployment rate in the metropolitan regions of Porto Alegre, Salvador and Recife.

According to data reported in Rio de Janeiro yesterday by Jesse Montello, president of the Brazilian Institute of Geography and Statistics (IBGE), the average unemployment rate in November was 7.66 percent, based on the ratio between the number of persons looking for work and the total number of economically active persons in the six metropolitan regions surveyed. In October this rate was 7.51 percent and it was 7.73 percent in September.

The rates of unemployment in November this year, as a percentage of the work force, among persons who have worked before--thus excluding those looking for work for the first time--in the same regions were the following: Rio de Janeiro (7.52 percent), Sao Paulo (6.42 percent), Belo Horizonte (7.02 percent), Porto Alegre (4.48 percent), Salvador (7.25 percent) and Recife (6.38 percent). Rates of unemployment among persons who were looking for work for the first time were: Rio de Janeiro (1.26 percent), Sao Paulo (0.63 percent), Belo Horizonte (1.19 percent), Porto Alegre (1.58 percent), Salvador (1.21 percent) and Recife (1.36 percent).

Changes in the unemployment rate of November compared with the same month last year, which permit an estimate of cyclical effects on the labor market, were the following (in percentage points): Rio de Janeiro (2.27 percent), Sao Paulo (1.90 percent), Belo Horizonte (0.70 percent), Porto Alegre (1.09 percent), Salvador (2.32 percent) and Recife (1.28 percent).

#### Inexperience

The IBGE president explained the increased unemployment rate in some metropolitan regions by linking the bad economic phase the country is now in with the fact that the highest rate of unemployment is in the age group between 15 and 20 years old, where, according to him, these workers "are still at the inexperienced stage, and sometimes they quit their job."

Montello announced for next year a better quality of survey by IBGE, using more indicators, partly to learn the location of the worker's last job and the amount of his last salary. Another novelty announced for 1982 will be a survey of underemployment which, due to its complexity, will not be reported monthly. In March, however, the first results will be reported.

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## POLL DEFINES 10 MOST INFLUENTIAL PEOPLE IN COUNTRY

Rio de Janeiro O GLOBO in Portuguese 20 Dec 81 p 3

[Text] A Survey by "GAZETA MERCANTIL Forum," based on questionnaires sent to opinion leaders in 12 social sectors, identified the 10 most influential people in Brazil. In order, they are: President Joao Figueiredo; Planning Minister Delfim Netto; Vice President Aureliano Chaves; Governor Paulo Maluf of Sao Paulo; Gen Octavio Aguiar de Medeiros, chief of the SNI [National Intelligence Service]; Cardinal Paulo Evaristo Arns, archbishop of Sao Paulo; publisher Roberto Marinho, president of GLOBO Organizations; Civilian Household Chief Leitao de Abreu; Senator Tancredo Neves, national chairman of the Popular Party [PP]; and General Golbery do Couto e Silva, former civilian household chief.

"GAZETA MERCANTIL Forum" is a controlled-circulation yearbook sent to 5,000 outstanding persons.

Among influential persons, those listed in 11th to 20th place were: Antonio Ermirio de Moraes, managing director of the Votorantim Group; Army Minister Gen Walter Pires; Luis Inacio da Silva (Lula), national chairman of the PT [Workers Party]; Dom Helder Camara, archbishop of Olinda and Recife; Senate President Jarbas Passarinho; Deputy Ulysses Guimaraes, national chairman of the PMDB [Brazilian Democratic Mobilization Party]; Air Force Gen Delio Jardim de Mattos, air minister; former President Ernesto Geisel; Cardinal Eugenio Sales, archbishop of Rio de Janeiro; Gen Danilo Venturini, chief of the military household; and Dom Luciano Mendes de Almeida, secretary general of the National Conference of Brazilian Bishops (CNBB).

## Business, Labor Leaders

The survey lists the five businessmen and five labor leaders who are most influential. Antonio Ermirio de Moraes is first among the businessmen, followed by Luiz Eulalio de Bueno Vidigal Filho, president of the Sao Paulo State Federation of Industries; publisher Roberto Marinho, president of GLOBO Organizations; Amador Aguiar, chairman of the BRADESCO [Brazilian Discount Bank] Council of Administration; and Olavo Egydio Setubal, president of Itau Bank.

Among labor leaders, Luis Inacio da Silva, former president of the Sao Bernardo do Campo Metalworkers Union, heads the list. Coming after him are: Joaquim dos Santos Andrade, president of the Sao Paulo Metalworkers Union; Ary Campista, president of the National Confederation of Industrial Workers (CNTI); Argeu Egydio dos

Santos, president of the Sao Paulo Metalworkers Federation; and Audalio Dantas, vice president of the Sao Paulo Journalists Union.

#### Culture, Medicine

In the area of education and culture, the five most influential persons are: poet Carlos Drumond de Andrade; Gen Rubem Ludwig, minister of education; and writers Jorge Amado, Afonso Arinos de Mello Franco (former foreign minister) and Aurelio Buarque de Hollanda.

The five most influential members of the medical profession are: cardiologist Euryclides de Jesus Zerbini; plastic surgeon Ivo Pitanguy; Social Security Minister Jair Soares; Health Minister Waldyr Arcoverde; and Sao Paulo Health Secretary Adib Jatene.

#### Politics, Finance

Among the five most influential politicians, President Figueiredo is in first place, followed by Senator Tancredo Neves, PP chairman, who in this field is ahead of Governor Paulo Maluf, in third place. Senator Franco Montoro and Deputy Ulysses Guimaraes, PMDB chairman, complete the list.

In the financial area, the five most influential bankers are: Amador Aguiar of BRADESCO; Olavo Setubal of Itau (both mentioned previously in the list of businessmen); Jose de Magalhaes Pinto of the National Bank; Walther Moreira Salles of Unibanco; and Gastao Eduardo de Bueno Vidigal of the Sao Paulo Mercantile Bank.

#### Jurists, Clergymen, Athletes

Afonso Arinos heads the list of the five most influential jurists, followed by Sobral Pinto; former Justice Minister Alfredo Buzaid; Dalmo de Abreu Dallari, former president of the Sao Paulo Commission for Justice and Peace; and Miguel Reale.

Among clergymen, Cardinal Paulo de Evaristo Arns is considered the most influential. he is followed by Archbishop Helder Camara; Cardinal Aloisio Lorscheider, archbishop of Fortaleza; spiritist leader Chico Xavier; and Cardinal Eugenio Salles.

In sports, Edson Arantes do Nascimento (Pele) heads a list that also includes: pilot Nelson Piquet; Joao Havelange, president of FIFA; soccer player Arthur Antunes Coimbra (Zico) of Flamengo; and Tele Santana, coach of the Brazil World Cup team.

President Figueiredo appears again in first place among the five most influential military men, followed by cabinet ministers Delio de Mattos, Walter Pires and Danilo Venturini and former cabinet minister Golbery do Couto e Silva.

The armed forces are considered the most powerful institution; banks are in second place; and multinational firms are third. Then come the church; Planalto Palace; the press; television; state enterprises; the National Congress; and soccer, in the list of most powerful.

## National Problems

Inflation comes first on the list of the 10 biggest problems of Brazil, followed closely by corruption. The list also includes: education, foreign debt, public administration, unemployment and underemployment, income concentration, balance of payments, urban violence and health.

### Survey Involves All Sectors of National Activity

"GAZETA MERCANTIL Forum" sent out 18,000 questionnaires to labor unions and professional associations; municipal governments; federal government (ministries and other bodies); rural cooperatives; state governments and secretariats; business firms (the 400 largest by origin of capital); banks (the 100 largest); Chamber of Deputies; federal courts; "GAZETA MERCANTIL Forum" leaders (277); military, embassies, universities, Lions and Rotary clubs and the Senate; minority movements; Brazilian Academy of Letters; and clergy.

There were 1,298 questionnaires returned--8.1 percent, highly significant in that an average of 6 percent is considered very successful in direct mail. Public-opinion surveys made by large institutions are considered technically sound if about 500 persons are consulted.

Of the 1,298 replies, 11.7 percent were from representatives of the federal government; 11.25 percent from businessmen; 1.62 percent from heads of educational institutions; 3 percent from state governments; and 1.77 percent from clergymen.

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## CENTRAL-SOUTH AGRICULTURAL OUTPUT RISES 5.5% OVER 1980

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Dec 81 p 27

[Text] Agriculture of the Central-South region increased 5.5 percent this year in terms of value (11.2 percent in physical output) compared with 1980, Agriculture Secretary Afif Domingos revealed yesterday in announcing the agricultural forecast for the 1981-82 crop year. The Southeast region (Sao Paulo, Rio de Janeiro, Minas Gerais and Espirito Santo) had the highest indices of expansion: 10.7 percent in value and 14.9 percent in volume of production.

## Harvest of 1981-82

In reporting the 1981-82 agricultural forecast, Afif revealed that the state of Sao Paulo, which continues to be the leading agricultural producer of the Southeast region, had a real increase of 5.9 percent in the value of its production, which reached 549 billion cruzeiros, and a 9.2 percent increase in physical volume. In Rio Grande do Sul, however, the physical increase of 8 percent in agricultural production did not prevent the value of production from declining 2.7 percent in real terms, while in Espirito Santo production increased 6.9 percent and real value declined 8.7 percent this year compared with last year.

"This is because food prices have been increasing less rapidly than the rate of inflation, which is a problem because prices of inputs are increasing at a rate close to that of inflation," Afif Domingos commented.

Moreover, increased production at state levels does not mean nationwide expansion at the same levels, because in national terms it is customary to measure total production of grain, excluding coffee and sugarcane, products that greatly influenced results of the Southeast region this year.

"The agriculture minister announced an increase of 4 percent in Brazil's 1981-82 crop, which is likely to be an accurate forecast," said Afif, adding: "The data we are announcing--such as those for the Southeast region, with a production increase of almost 15 percent--are due mainly to the performance of the vegetable production sector, where coffee and sugarcane had an outstanding performance, besides beans and corn, which also performed well. Among the states of the Southeast region, Minas Gerais had the best performance, showing an increase of 25.3 percent in real value of production and almost 30 percent in physical production. In this increase, coffee had a pronounced effect."

The Sao Paulo agriculture secretary said further that, even with the expectation that the current policy of minimum prices--which are now revised according to the INPC [National Consumer Price Index] at the time of harvest--will exert a positive influence on agricultural output for 1982, at least two production declines should occur: 50 percent in the coffee harvest and 10 percent in the sugarcane harvest, both resulting from last winter's frosts.

"Now price policy will capture everyone's attention," asserted the secretary, referring to the subsidized interest rates for agriculture. In his opinion, there was really a reduction of the subsidies built into the National Monetary Council's decision not to increase the amount of the subsidy. "If inflation is declining, then, in effect, the subsidy is declining and, if subsidized interest rates decline, prices become much more important in the profitability of each crop. If prices cover costs, very well. But if not..."

With the agricultural forecast in hand (data for which were surveyed by the Agricultural Economy Institute), Afif Domingos suggested two probabilities for next year: good performance of production for the consumer, given the good prospects for rice, bean and corn production, and reoccupation of traditional agricultural areas due to retreat from frontier areas.

"Bean production has met the consumer's needs well in this half of the year and should be even more satisfactory next year. Right now the climate is good for the next crop of rainy-season beans--it rained at just the right time and then stopped. As for rice, there will really be a reduction of planted area in the Central states for the nonirrigated crop. But this reduction will be offset by higher yields in areas of irrigated rice. What is lacking, and I said this in Brasilia, is a little more support for the industrial sector of irrigation equipment, support that could be concomitant with imports of such equipment," he explained.

Speaking further about basic prices for each crop, the agriculture secretary said that many bean producers do not know that the government is buying that product at an adjusted basic price and they are taking as a base the price offered them by truckers, the most frequent middlemen. "There was a short-circuit in communications between the government and small farmers. But we are conducting a campaign on prime-time television alerting producers and 'pulling the rug' on truckers," he pointed out.

Besides the figures about production in the Southeast region, Afif Domingos reported the following production data for other regions: South, physical growth of 10 percent and increase in real value of 4 percent; and Center-West, decline of 1.3 percent in physical output and 13.4 percent in value.

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## STABILE CITES ACCOMPLISHMENTS OF AGRICULTURE IN 1981

Rio de Janeiro MANCHETE in Portuguese 26 Dec 81 pp 126, 127

[Interview with Agriculture Minister Amaury Stabile by Alexandrie Garcia: "Stabile: The Victory of Agriculture"; date and place of interview not given]

[Text] This December the most frequently recurring front-page news of last December--the waiting lines to buy beans--has not reappeared. Remember the pictures, the headlines? Police were called to patrol the lines. People died waiting in line for beans that December. This year there were no bean lines. Moreover, the price paid for 1 kilogram of the product this December is the same as last December's, even with an inflation rate of nearly 100 percent.

Another piece of bad news recurring frequently in 1980 has not returned this year: food imports. Last year Brazil imported rice, beans, corn, milk, meat--\$2 billion worth--without counting wheat, one of our traditional imports. In 1981, other than wheat, not a single grain of food was imported.

Moreover, besides becoming self-sufficient, Brazil exported. And, even with international prices for coffee and cocoa falling, our exports of soybeans, citrus fruits and meat have assured the surplus that our trade balance has enjoyed for several successive months.

As if all this were not enough, agriculture, which is responsible for 46 percent of the cost of living index, had much lower price increases than other items, holding back the average increase and playing a decisive role in the reduction of inflation to less than 100 percent.

At that, prices paid to producers were an incentive. The strength of agriculture is beginning to have an impact on the urban economy, where mass layoffs have ended. It looks like the nation can keep its head above water, as indicated by the optimistic message of this exclusive interview with the agriculture minister by MANCHETE.



[Question] Minister Amaury Stabile, has there been a revolution or a miracle in Brazilian agriculture?

[Answer] There is no miracle. The weather helped, of course, but what we had was a lot of hard work. The government adopted a policy of firm support and agriculture did the rest. With PROFELJAO [Bean Program], for instance, we encouraged irrigation, use of good seed, use of floodplains, with rational credit and a good market price. The absence of queues and the steady price to the consumer show we have won the bean battle. But we are going to continue improving this strategy to retain that victory during the coming year. Our objective is to accumulate a good buffer stock, with continuity of supply, which is the best weapon against speculation and scarcity. The bean crop increased from 1,980,000 tons to 2,500,000 tons. Unfortunately, some people did not believe the good news and hoarded their beans. Now they are stuck with old beans and the government, for stockpiling purposes, prefers new beans. And our guaranteed marketing system, the AGF [expansion unknown], is functioning at the minimum current price, which is readjusted monthly.

#### Supervision, Subsidy to Continue Only for Small Producer

[Question] The crop previous to this one was good, but no one paid any attention because it only went to plug the holes left by 2 successive bad years. What happened during that period?

[Answer] As a matter of fact, the measures adopted by the government did not show results until 1 year later, which is obvious in agriculture. During that first year there were queues to buy beans and there were food imports. In crop year October 1979 to March 1980, production increased from 42 million to 52 million tons of grain. There was unlimited credit for planting costs, a better minimum price for the producer, guaranteed purchase of all surplus and 100 percent insurance in case of failure. Result: planted area increased 8 percent and production, 25 percent.

In the October 1980 to March 1981 crop year, the same policy of firm support was maintained and planted area increased 6 percent. Production rose to 54 million tons and we imported not a single grain except for wheat. In fact, we exported food and contributed to the trade surplus. And, as we approach the end of the year, inflation, with the help of agriculture, is subsiding.

Furthermore, there are measures of direct assistance in the areas of research and rural extension (technical assistance), offered mainly to small producers and through cooperatives.

[Question] On 21 December the National Monetary Council will decide how much money to appropriate for agriculture next year. What can Brazilian agriculture expect for 1982?

[Answer] The major novelty for 1982 is the incentive funds (from the monetary budget and the federal budget) for certain areas and crops, with special rates and payment periods. The general idea, in other cases, is to have interest rates closer to market rates, letting the domestic and foreign markets operate with realistic prices. These incentive funds will be used to meet priorities: seed,

irrigation, PROVARZEAS [Floodplain Program], soil conservation, investment in new areas, purchase of heavy equipment, investment in livestock. All funds with the most rational use possible.

And this is a program guaranteed to be repeated in coming years. Beyond this, financing for irrigation and PROVARZEAS will have about 60 billion cruzeiros. Of course, the policy of revising the minimum price monthly, of more protection for the small producer, through cooperatives, will be continued, with much technical assistance. Large and medium-sized producers will have to return to the market, with the government gradually ceasing to protect them. In this way we are preparing for a modern agriculture that can cope with the domestic and foreign market through self-improvement. This efficiency will benefit the consumer. The guaranteed minimum price will be based on an average price, rewarding productivity. And buffer stocks will be increased to eliminate speculation. The EGF [Federal Government Loan] for the producer and cooperatives will have interest rates closer to the market. Rural-sector funding will have a real increase next year of 20 percent.

#### Agriculture Is Base for Resuming National Development

[Question] Will the reduction of government tutelage also take away the subsidy?

[Answer] We are leaving the artificiality of subsidies for the realism of the market. If we want reliable and efficient agriculture capable of competing abroad, only realistic prices can lead to greater productivity. The government gives the producer the assurance of the minimum price, but only productivity can provide a greater gain. As for interest rates, only realism can assure the remuneration to capital that permits financing to continue.

[Question] Conclusion: Brazilian agriculture is doing very well, thank you. Is that correct?

[Answer] Agriculture is doing well. It is modernizing; insurance frees it from risks; buffer stocks reduce speculation; we are seeking better seeds, better yields, irrigation, more exports at better prices in the foreign market and relatively lower prices in the domestic market. Strengthening Brazilian agriculture is the basic requirement for resuming the nation's economic development. This year agriculture's GDP [Gross Domestic Product] increased 7 percent, in spite of an urban recession. All agricultural investment is recycled to the cities, creating jobs and vitalizing the economy. Food can also be exported, generating foreign exchange for other sectors of the economy. Agriculture is the base for the fight against inflation and the farmer is becoming increasingly important. That is why prescription is essential for the small producer. Prescription is a government decision that will protect the small farmer, permitting him to own land that he has occupied for more than 5 years.

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## RONDONIA GOVERNOR DISCUSSES PROSPECTS FOR DEVELOPMENT

Rio de Janeiro MANCHETE in Portuguese 2 Jan 82 pp 118, 119

[Interview with Col Jorge Teixeira, governor of Rondonia, by Marlene Anna Galeazzi: "Jorge Teixeira: Governor of New State of Rondonia"; time and place of interview not given]

[Text] Rondonia, with an area of 243,044 square kilometers and a population of over 800,000 inhabitants due to the great migratory flow of recent times, is Brazil's newest state. Soon it will become one of the most important units of the federation. According to its governor, Col Jorge Teixeira, it will be a kind of giant granary with very great potential. Colonel Teixeira, a man accustomed to the work of taming the Amazon region, spoke to MANCHETE about the significance of the territory of Rondonia's becoming a state, the challenge it will have to face, its economy and its settlement projects.

[Question] Why is a territory that is 30 years old only now becoming a state?

[Answer] In the first place, because of the heavy migration and, secondly, because of the potential that has been discovered in Rondonia and, finally, because of the will of President Figueiredo and [Interior] Minister Mario Andreazza, who from the beginning gave us the mission of preparing Rondonia for statehood. It was no longer possible for Rondonia to continue being a territory.

[Question] Is there still room for much more immigration in Rondonia?

[Answer] A very large flow of migrants arriving to occupy areas intended for settlement projects has transformed the cities and the major regions of Rondonia. BR-364, a highway opened at the end of the Sixties and now being paved, last year alone carried about 60,000 persons who are going to settle in Rondonia and add their customs to those of the region. The population of Rondonia, which before the highway did not exceed 110,000 inhabitants, is now in the neighborhood of 800,000. This year the estimate of migratory flow reached an average of 57 families per month [sic; per day?]. With the paving of the highway and the change from territory to statehood, migrants will still be welcome, but within a new system. We will no longer be able to foster small-scale agricultural settlements. Now we must adhere to a policy of large settlement projects. We are sure population will continue to increase, but

within a more orderly framework. Rondonia will continue to need people interested in its development, those who are willing to work and grow with the new state.

[Question] What challenges will Rondonia now face?

[Answer] The great challenge is its consolidation as a state. The measures taken until now are really to prepare the infrastructure and the large-scale things for the new state. With the passage of the years, the objectives of these measures are being met. There is still need for some measures and programs that gradually are being carried out: permanent construction of BR-364, the Samuel hydroelectric project and implementation of POLONOROESTE [Program for Settlement of the Northwest].

[Question] On what will the economy of the new state be based?

[Answer] Primarily on its agricultural products and minerals. As the nation's largest producer of cassiterite, Rondonia's soil is rich in minerals, especially gold. In agriculture, it promises to become one of the nation's major producing regions. Coffee, cacao and rubber trees are being planted there in abundance.

[Question] Is the PDS [Social Democratic Party] in a position to win the elections in Rondonia?

[Answer] I think so, because there is much work being done for the party. It is realized in Rondonia that everything that has been done there was at the initiative of the federal government. Now the people will have their chance to return the favor. If we became capable of attaining statehood, it is because the federal government made it possible. There has been a constant effort by Minister Mario Andreazza and his secretary general, Rocha Maia, to promote our progress.

[Question] How many elective positions will be filled in the new state?

[Answer] Three senators and six federal deputies. The legislative assembly will have 18 members. There will also be 13 municipal councils.

[Question] Would you be willing to run for governor in a direct election?

[Answer] No. Simply because it is not my nature and I do not have the temperament to run for elective office. When I was mayor of Manaus I had the opportunity to be a candidate, but I did not choose to run. I have considerable admiration and respect for the political profession, but I do not have a political temperament. If President Figueiredo chooses me to continue as governor of Rondonia, now that it is a state, I would accept it in terms of a mission. Just as the president and the interior minister sent me to Rondonia with the mission of preparing it for statehood, I would be honored by such an invitation that would give me the opportunity to carry out the programs already begun.

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## NAVAL PLAN BODES EXTENSIVE PURCHASE OF DOMESTIC EQUIPMENT

Rio de Janeiro JORNAL DE BRASIL in Portuguese 18 Dec 81 p 15

[Text] The Long-Range Shipbuilding Plan--\$1 billion of orders placed with shipyards --will result in purchase of about \$315 million of domestic equipment, payment of about \$186 million in wages, \$13 million in insurance, \$31.5 million in ICM [Tax on Movement of Merchandise] on domestic materials and \$7.5 million in PIS [Social Integration Program] contributions.

The estimate was made by Renato Castro Santos, president of the Brazilian Naval Engineering Society (SOBENA) and director of the Emaq shipyard. The shipbuilder also mentioned that having its own fleet will enable the nation to control freight policy in such a way as to increase its share of international trade.

## Subsidies Increase

"In today's world there is a new division of labor. In this structural change nations that traditionally had been major shipbuilders are seeing their shipyards lose competitiveness and to maintain production have been increasing the amount of subsidies and incentives. In some cases these incentives and subsidies are more than 50 percent of the offered sales price," he points out.

He says this must be borne in mind when criticizing the increased price of ships made in Brazil compared with similar ones sold abroad. He adds that our currency does not indicate its real parity with the dollar and "we have seen in recent years a steep increase in the price of purchased equipment."

In view of the current shipbuilding situation, the SOBENA president makes five basic suggestions for 1982:

"That the Long-Range Shipbuilding Plan be implemented to provide a continued effort to improve the industry; that an effort be made to establish a Brazilian Rate Conference, from the most simple rules for inland shipping to, over the long term, accumulated knowledge about the whole sector--collaboration of shipping interests and the equipment industry is essential; stimulating development of domestic technology resulting from transfer of imported technology--all foreign technology is welcome provided it can be absorbed, understood and used to improve the product; thorough study of the Japanese experience in integrating shipyards and equipment industries; and, after the stage of absorbing foreign technology, we must begin developing our own."

In analyzing the cost of Brazilian ships, engineer Renato Castro Santos used the example of the 18,000-ton gross capacity oil-tanker contract with Petrobras of the Emaq and Caneco shipyards. There were six tankers and the total amount of the orders was \$200 million, which permits extrapolating the effect of the Long-Range Shipbuilding Plan with a total of \$1 billion.

#### Shipbuilding Cost Analysis

<u>Cost Component</u>	<u>Percentage of Cost</u>
Domestic equipment	31.55
Labor in shipyards	18.66
Material for hull	4.85
Imported equipment	19.00
Contractors	1.10
Direct expenses	2.83
Indirect expenses	3.83
Insurance	1.30
Design and engineering	2.33
Freight and insurance on imported equipment	2.47
ICM on domestic material	3.15
PIS	0.75
Profit margin	8.18
Total	100.00

8834

CSO: 3001/60



## ANTARCTIC RESEARCH PROJECT STILL UNDEFINED

Brasilia CORREIO BRAZILIENSE in Portuguese 23 Dec 81 p 11

[Text] Porto Alegre--Geographer Jane Pereyron Mocellin of the Rio Grande do Sul center of the Brazilian Institute for Antarctic Studies [IBEA-RS] said yesterday that, according to information received from Brasilia, Brazil is trying to get an extension of the time period granted by the Scientific Committee of Arctic Resources (SCAR) for submission of its scientific project. The period ends on 30 March and if Brazil does not submit the project to SCAR headquarters in Cambridge the Antarctic expedition cannot be made in the southern hemisphere summer of 1982-83.

This delay in final preparation of the project will determine whether the CIRM [Interministerial Committee for Ocean Resources] will make full use of the program submitted by the IBEA and which combines studies by the Rio dos Sinos Valley University (UNISINOS), the Rio Grande University Foundation of Rio Grande do Sul and the state and federal universities of Rio de Janeiro. According to Jane Pereyron Mocellin, all these universities submitted their projects through IBEA and besides these there are only studies by the Oceanography Museum of Sao Paulo University, The Aerospace Center of Sao Jose dos Campos, the Rio Grande do Sul Federal University and a private group.

In the meetings she held at the Navy Ministry when she was in Brasilia to submit the IBEA-RS projects, Jane also learned that Brazil is firmly determined to buy the "Endurance" from Great Britain, because it is a ship in excellent repair, suitable for the Brazilian expedition and available at a relatively low price, \$2.5 million. Ms Pereyron was also informed that Poland and the FRG did not have ships for sale and, in fact, they offered to build the vessel. The only offer to sell a ship, other than the "Endurance," that Brazil has received was from the United States. But the "El Tanini" is in very poor repair and had been leased by Argentina on three occasions.

Another piece of good news that Jane Mocellin received in Brasilia is that funds both for buying the ship and for the expedition have been approved by the Planning Secretariat and the money for the expedition is to come basically from the Sectoral Plan for Ocean Resources included in the National Development Plan (PND). But it is specifically the Subprogram of Ocean Resources that is appropriating 2 billion cruzeiros for research on food from the sea beyond Brazilian territorial waters. This survey beyond Brazilian waters is about the silver hake, tuna and krill. Krill live in Antarctica and could become the major source of mankind's protein reserve.

## BRIEFS

DECEMBER INFLATION RATE 3.8%--Rio de Janeiro--The Brazilian Economics Institute [IBRE] of the Getulio Vargas Foundation made an advance report of December's inflation rate yesterday, which it computed at 3.8 percent--much less than the 5.3 percent of November and the 5.9 percent of December 1980. With this result, the inflation rate for this year was 95.2 percent, "a significantly lower figure than that of last year: 110.2 percent." The institute believes this month's rate confirms the declining trend of the rate of price increase since April. According to the report it circulated, "emphasis should be given to the fact that the rate of inflation, as conceived by IBRE, had more pressure from the Consumer Price Index [IPC] than from wholesale prices and the Construction Cost Index [ICC], changing the relative position of the components of the General Price Index." Thus, the increase of 100.8 percent in the IPC now compares with an increase of 94.3 percent in wholesale prices and of 86.1 percent in the ICC. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Dec 81 p 30] 8834

CSO: 3001/57

## YEAR-ROUND COMMITTEE ASSIGNMENTS OCCUPY LEGISLATORS

Quito EL COMERCIO in Spanish 6 Dec 81 p A1

[Text] Out of the 69 legislators constituting the National Chamber of Representatives, 59 will work without interruption throughout the year as a result of the establishment of committees, subcommittees, and delegations that will take charge of various activity areas.

According to the Political Constitution, the Chamber must have four legislative committees made up of five representatives, each, who will, respectively, take care of the following: (a) civil and criminal matters; (b) labor and social welfare matters; (c) taxation, treasury, banking, and budget matters; (d) economic, agricultural, industrial, and commercial matters.

In addition to these committees, other committees have been formed in the legislative branch with specific assignments to facilitate greater output.

The legislators who are not members of a committee or subcommittee as full-time members are the following: the President, Engineer Raul Baca Carbo, and the Vice President, Dr Reinaldo Yanchpaxi, who have their own responsibilities in the high positions they hold; Representative Engineer Rodolfo Baquerizo; the successor to the late Mr Asaad Bucaram, Deputy Carlos Julio Llerena; representatives Dr Carlos Julio Arosemena, Dr Otto Arosemena Gomez, Engineer Leon Febres Cordero; Dr Jacinto Velasquez, Col Rafael Armijos, and Mr Ezequiel Clavijo.

Following the establishment of the additional committees, the legislative branch is capable of taking care of many matters which in the past it could not handle due to a lack of time and personnel.

The following are the currently existing committees with their regular and alternate members.

Permanent Legislative Committee on the Budget

Regular members: Wilfrido Lucero, Jorge Zambrano, Galo Vayas, Severo Espinosa, and Luis Mejia.

Alternate members: Jorge Fadul, Cid Abad, Juan Manuel Real, Edgar Garrido, and Arnaldo Merino.

#### Permanent Legislative Committee on Labor

Regular members: Javier Ledesma, Juan Tama, Arquimedes Valdez, Walter Esparza, Jorge Chiriboga.

Alternate members: Luis Munoz, Nelson Felix, Julio Ayala, Maximiliano Rosero, Arturo Piedra.

#### Permanent Legislative Committee on Agriculture

Regular members: Hugo Caicedo, Gabriel Nicola, Galo Pico, Carlos Falquez, Eudoro Loor.

Alternate members: Gonzalo Callejas, Cleomedes Ollague, Rodrigo Suarez, Medardo Mora, and Luis Gavilanez.

#### Permanent Legislative Committee on Civil Matters

Regular members: Gil Barragan, Manuel Valencia, Fausto Vallejo, Rodrigo Borja, and Gonzalo Gonzalez.

Alternate members: Ezequiel Clavijo, Pepe Mosquera, Edgar Orbea, Alejandro Carrion, and Antonio Lara.

#### Permanent Committee on Management

Luis Munoz, Nelson Felix, Arturo Piedra, Juan Chamoun, and Edgar Orbea.

#### Special Committee on Codification

Regular members: Marco Proano, Ezequiel Clavijo, Edgar Garrido, Gudberto Ortiz, Jose Mosquera.

Alternate members: Manuel Daza, Julio Cesar Trujillo, Rodrigo Suarez, Pio Oswaldo Cueva, and Rafael Marquez.

#### Committee on the Affairs of the Amazon Region and the Border Area

Regular members: Gustavo Valdivieso, Guillermo Vilem Kubes, Ricardo Bowen, Arturo Cordova, Gilberto Plaza.

Alternate members: Eduardo Rivas, Rodrigo Cisneros, Oswaldo Cevallos, Javier Ledesma, Cleomedes Ollague.

#### Political Control Committee

Regular members: Arnaldo Merino, Manuel Daza, Cid Abad, Maximiliano Rosero, Rafael Marquez.

Alternate members: Luis Mejfa, Jorge Zambrano Juan Tama, Severo Espinosa, and Jorge Fadul.

Committee on International Affairs

Regular members: Alejandro Carrion, Antonio Lara, Julio Prado, Aurelio Carrera, and Pío Oswaldo Cueva.

Alternate members: Gonzalo Callejas, Wilfrido Lucero, Gonzalo Gonzalez, Gudberto Ortiz, Pablo Davalos.

Delegations

Cleomedes Ollague: Claims Board.

Ricardo Bown: Jipijapa and Pajan Water Power Resources Board.

Heinz Moeller, Rodolfo Baquerizo, and Javier Ledesma: Executive Unit of the Guayaquil Urban Development Fund.

Antonio Saab, Eduardo Carmigniani, Manuel Pesantes, Daniel Alvarado, and Carlos Julio Llerena: Committee on Marginal Districts of Guayaquil.

Manuel Real: National Defense Board

Julio Cesar Trujillo, Rodrigo Cisneros, and Eduardo Rivas: Constitutional Guarantees Court.

Rodolfo Baquerizo: CONADE [National Development Council].

Arquimedes Valdez: Crafts Board.

5058

CSO: 3010/544

## DAILY EXAMINES FUTURE PETROLEUM, ENERGY NEEDS

Quito EL COMERCIO in Spanish 6 Dec 81 p A4

[Text] Ecuador at this time has petroleum reserves for another 18 years, that is to say, up to the year 2000, according to the minister of natural resources. However, the interval of time during which Ecuador will be exporting hydrocarbons is certainly much shorter since, at the current consumption rate, Ecuador will not even be self-sufficient in petroleum by the middle of this decade. This is why it will have to import in order to make up for the difference between its output and its requirements. Ecuador's petroleum future consequently is neither encouraging, nor promising.

The domestic growth rate indexes as a matter of fact are excessively high; the inefficient system of hydrocarbons byproduct prices contributed toward that development, characterized by a disproportionate and unjustified government subsidy whose most obvious consequence was the development of a generally wasteful attitude at a truly exorbitant cost to the country. The fight against waste and excessive consumption of petroleum derivatives undoubtedly is of decisive importance to the country's future.

Another aspect that is truly significant to the reduction in consumption has to do with electric power generation whose replacement by energy of water power origin is fundamental, although this is a gradual and highly expensive process. The tremendous increase in thermal power plants severely damaged the country although in many cases this involved emergency situations where the lack of foresight necessitated the adoption of hasty solutions.

Parallel to the reduction in consumption, it is indeed vital for Ecuador to identify new and greater proven reserves since the currently available reserves will last only another 18 years. This is why it is urgent to resume prospecting which had been suspended for more than 5 years due to demagoguery and senseless action; that is an incontrovertible national priority.

Ecuador certainly does not have sufficient technical and financial resources to undertake a massive prospecting program; besides, in any case, one could not justify the use of the nation's very scant economic resources along with high-risk investments; it is always preferable to have foreign enterprises undertake those high-risk investments. It is therefore absolutely indispensable to attract foreign technology and capital under conditions of equity for both sides.



Amending the hydrocarbons law is definitely a necessity and a step of the utmost urgency and importance to Ecuador. The country's current proven reserves are not enough and they will certainly not guarantee the country's petroleum future. It is therefore necessary to revive prospecting and to amend the law with a realistic and sensible approach.

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CSO: 3010/544

## BRIEFS

SATELLITE OBSERVATION POST ESTABLISHED--The National Polytechnical School has established a station for the observation of artificial earth satellites to conduct research which, it was noted, would help develop a better knowledge of our planet and the gravitational anomalies and which would also help reliably determine the earth's axis of rotation and its variations. It was also indicated that this observation mission will help predict and identify natural phenomena; this will be helpful to the country because Ecuador is located along one of the world's most active mountain ranges, that is, the Andes Range. These optical observations have been made by the National Polytechnical School on the basis of an agreement signed with the Academy of Sciences of the Soviet Union. The station mentioned is made up of an A.F.U.-75 photo camera and a long-range laser telemeter, both of which were installed as part of the Intercosmos Program. The camera is used to photograph artificial earth satellites, especially in connection with geodetic studies using flash ship [as published; bay, "nave"]. The laser telemeter makes it possible with great accuracy, it was said, to determine the coordinates of the artificial earth satellites. Using these new research instruments, it was indicated that the Quito Polytechnical School, with the help of the Academy of Sciences USSR, is contributing to the continuation of the astronomic research effort conducted in Ecuador while constantly improving existing techniques. The first step in this connection will be to determine the position of the equatorial line which offers the best conditions for the construction of an astronomic observatory, equipped with modern instruments and capable of developing the work being done today. [Text] [Quito EL TIEMPO in Spanish 6 Dec 81 p 3A] 5058

CSO: 3010/544

## OPPOSITION DEPUTY DISCUSSES NEED TO DEFEND SOVEREIGNTY

PY061456 Asuncion HOY in Spanish 5 Jan 82 p 10

[Excerpts] Deputy Ligia Prieto de Centurion, who is probably considered by her political adversaries to be the most controversial member of congress due to her frequent criticism of the government policy, met with this newspaper and answered several questions during the interview. As she has done in congress, the radical liberal deputy vehemently discussed several issues of political interest.

These are excerpts of her statements.

[Question] Taking into account the obstacles which a politician--of the opposition in your case--must face, what role does the opposition play in the current situation?

[Answer] Considering that the current regime has been ruling the country for almost 3 decades, through a political-economic apparatus which could be termed a gerontocracy, a real political genocide has taken place where the one who rules is the sole holder of power and the law, creating fear, uncertainty and--why not say so--complete skepticism in vast sectors of the citizenry. The role of the true opposition is difficult, it is an act of true heroism, but the struggle is necessary and it will have to carry it on. Inevitably some day the barriers which hold back democracy will give way to the pressure of our unwavering convictions. Some have already given up, but many of us continue in the difficult struggle for democracy to save the honor and dignity of the nation, as well as ourselves, in the eyes of history.

[Question] Do you believe that congress is the most appropriate place to make your many charges?

[Answer] As a parliamentarian I believe that congress is where the legislator should voice his criticisms and request information (to avoid infringing upon other jurisdictions). Because of this I am surprised that any government-party colleague should maintain that requests for information "seek to destabilize the government." Quite the contrary, it is those who continue committing crimes, abuses, and engaging in smuggling operations with impunity who are the ones who are really destabilizing not only the government but the prestige of the nation also.

[Question] What do you think and what is your attitude toward the way in which your statements before the Chamber of Deputies are treated?

[Answer] My attitude in view of the treatment I receive from government-party legislators, who are sometimes even rude and insolent despite congressional regulations, is to not get upset nor be influenced, because I understand that they react in this manner only because they have no argument to refute my charges, which is something they have never been able to do due to the evidence in the reports of abuses, smuggling and other irregularities which I bring up in Congress with my unwavering desire to defend the people's rights, whom I have the great honor of representing. Some deputies believe that they can face reason and truth with pompous rhetoric. I do not believe so and can assure you that nothing or nobody, no matter how loud they scream, will make me waver from my convictions and from the defense of what I believe is my truth.

[Question] What is your opinion of the role played by the Paraguayan Foreign Ministry in the defense of the national interests?

[Answer] There are issues which lead us to believe that the Paraguayan Foreign Ministry has been negligent. Such is the case of the diversion of the Pilcomayo River, the delay in renegotiating the Itaipu treaty in regard to the use and price of the energy to be sold to Brazil (annex C of the treaty). On two occasions I submitted the appropriate project to the Chamber of Deputies (1976 and 1979) but nothing was done about it.

Nor did the Paraguayan Foreign Ministry do anything about investigating the case of the Paraguayan citizens arrested and missing in Argentina which was reported 5 years ago. All these issues are a matter of sovereignty.

CSO: 3010/597

## INDUSTRY, GDP, FOREIGN EXCHANGE DEFICIT DISCUSSED

Lima EL COMERCIO in Spanish 9 Dec 81 p A-2

[Article by Ernesto Lanata Piaggio]

[Text] The Gross National Product has suffered a chronic lack of continuity in its growth rate, which is the most noteworthy characteristic of Peru's economic development throughout the quite broad period between 1950 and 1980.

Underdevelopment is the result of an irregular economic growth rate, plus a steadily rising population growth rate, plus a low rate of productivity (1.93 percent during the seventies).

The causes for this underdevelopment are basically instability in the political system, in taxation and economic regulations, and in the very concept of development.

Between 1950 and 1980, 27 budgets experienced deficits and only three ended up with surpluses (1959, 1960 and 1961). The deficits ranged from 0.14 percent of the Gross Domestic Product to 9 percent in 1981.

The Industrial GDP has grown more regularly and at a faster pace than the GNP, with the exception of the last 5-year period, due to the economic crisis of 1976-77. At that time a license was made mandatory for imports, which made the economy less dynamic.

## Foreign Currency Deficits

This means that industrial productivity and the comparative advantages built up by industry are highly dynamic and are a social function of the nation's situation.

Accelerated growth demands increasing imports of foreign inputs to support development, but since industrial production is geared primarily toward meeting the needs of the domestic market, the supply of foreign currency necessary to purchase such inputs should be provided by the primary export sector. Since agricultural exports plummeted and practically disappeared, as happened also with the fishing sector, mining and petroleum have been incapable of supplying all the foreign currency needed by the country. The upshot has been constant and growing deficits in our balance of payments.

### Food Dependency

This situation will become even gloomier by the year 2000 if we consider the large amount of foreign currency the government will need to feed the people of Peru.

The most tragic aspect of the food situation is that if we take into account the ideal diet that every Peruvian should consume, the food deficit for the year 2000 will double to about 19 million tons of food that Peru must import.

The sad part of this food dependency, as initially projected, is that medical science has shown that if children between 0 and 4 years of age do not receive an adequate diet in calories, proteins and other nutritional microelements, and if they do not receive parental love at the same time, by 4 years of age their cerebral development is arrested, jeopardizing their intellectual future as mature adults. All food consumed after that time only contributes to corporal development.

Will our country have a population of mental cripples by the year 2000?

### Failed Objectives

The statistics show that the growth of manufacturing in the country is slowing down, which indicates that the first postulate for the reduction of tariffs, reactivating national industry, has not been achieved. As for the second postulate, increasing employment, we do not yet have official statistics to tell us whether or not employment has been increased. The third objective, to combat inflation, has not been attained either. The general index has soared by 72.6 percent, with only three sectors showing lesser increases: food, beverages and tobacco; clothing and shoes (due to massive imports of textiles and footwear, at dumping prices); and finally, rent and housing and electricity consumption.

The manufacturing sector as a whole, excluding exportable production, has adjusted its factory prices by 36.1 percent. The factory price does not include costs and profits of marketing and distribution. The most seriously affected sectors have been the manufacture of fish meal, due to the shortage of raw materials; textiles, ready-made clothing and leather; and metal machining products (the latter two having been damaged mainly by the liberalization of imports). But all the other indices are greater than the change in consumer prices for Metropolitan Lima between December 1980 and May 1981, which was only 31.1 percent.

On the other hand, inflation in Metropolitan Lima between September 1980 and August 1981 reached the highest level in the history of Peru: 85 percent. It must be noted, however, that after June the government seemed to have managed to stabilize inflation somewhat.

In conclusion, the objectives connected with the liberalization of imports have not been achieved; on the contrary, we think they have prevented the government from cutting inflation.

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CSO: 3010/578



## LABOR MINISTER CONCEDES INFLATION TO REACH 70 PERCENT

Lima LA PRENSA in Spanish 11 Dec 81 p 1

[Text] Labor Minister Alfonso Grados Bertorini acknowledged yesterday that by the end of this year inflation will have reached 70 percent, not the 40 percent forecast by the government. He argued, however, that the purchasing power of wages has been maintained.

This is the first year that wages have not lost ground with respect to prices, he noted before departing for Baghdad, Iraq, where he will speak at the Second Conference of Labor Ministers of the Countries of the Non-Aligned Movement.

Dr Grados Bertorini stated also that the number of strikes has lessened considerably in December, and that at present only about 1,200 workers are on strike.

He pointed out that usually in December there are intensive collective bargaining sessions because all the parties want to settle their lists of demands before Christmas.

He then indicated that the conciliation process implemented by the Labor Ministry and the readjustment clauses in agreements provide a solution to the problem of inflation-eroded wages.

The minister of labor also stressed the importance of the installation of the National Labor Council, scheduled for next 2 January, with the participation of all the country's labor unions.

As for the conference in Baghdad, the minister announced his decision to speak about the strengthening of social cooperation that exists in Peru, which has sparked interest among the countries of the Non-Aligned Movement.

He said that one of the most important aspects of this ministerial meeting will be the establishment of a new permanent technical cooperation headquarters for the non-aligned countries (at a place still to be determined), which will be financed by the member countries themselves.

The meeting will be attended by some 100 representatives of different nations; Grados Bertorini will also attend in his capacity as president of the Conference of Labor Ministers of Latin America.

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CSO: 3010/578

## IMPORTANT COMMISSIONS CREATED TO PROTECT INDUSTRY

Lima EL COMERCIO in Spanish 9 Dec 81 p A-17

[Text] National industry will be afforded sufficient protection and incentives by three major commissions created by the draft Law on Industries, approved by the Chamber of Deputies. These commissions are the Tariff Protection Commission (CONAPA), the Imports Qualification Commission, and the Commission on Incentives for Industrial Products Exports.

The first commission, CONAPA, is to issue technical opinions on proposals to modify the Customs Tariff, which will be made by Supreme Decree upon approval of the Council of Ministers after a technical report by that commission.

The Imports Qualification Commission will be responsible for protecting national industry from competition by underpriced imports and other forms of unfair competition.

The Commission on Incentives for Industrial Products Exports, on the other hand, will issue opinions on the qualification of products and the determination of the percentages of Tax Rebates. Sixty days after its inception, this body will proceed to review those incentives, proposing to the Executive the modifications it deems pertinent.

## CONAPA

The creation of the National Tariff Protection Commission is based on the assumption that the national tariff policy is one of the fundamental elements in the promotion of national industry.

This industrial promotion will be undertaken in accordance with the following norms: a) to protect industry from competition by similar products from other countries; b) to promote the manufacture of new industrial products until an adequate level of competition is attained; and c) to adhere to the Common External Tariff of the Cartagena Agreement and similar instruments.

This agency will be made up of two representatives of the Ministry of Economics, Finance and Trade, one of whom will be the chairman; two representatives of the Ministry of Industry, Tourism and Integration; two from the Association of Industries, one of whom will represent the provincial industries; and two from industrial workers, to be designated by the Ministry of Labor and Social Promotion.

Modifications in the Customs Tariff may be proposed by the ministries, private parties through their representative institutions, and state enterprises through the ministry of the sector corresponding to the activity they are involved in.

#### Import Qualification Commission

The functions of the Import Qualification Commission will include the following: to study and resolve cases of imports at unusual prices; to recommend specific actions to customs authorities to supervise certain imports; and to order readjustments of the declared values and set minimum official prices.

Another function of this commission will be to enforce compensatory fees and additional surcharges; it will also order the return of goods that have arrived in the country for sale at unusual prices; and it will recommend the exclusion of the importer from the National Importers Registry in cases of violations of the legal provisions governing the pricing of imports.

This commission will consist of two representatives of the Ministry of Economics, Finance and Trade, one of whom will be chairman; two from the Ministry of Industry, Tourism and Integration; two from the Association of Industries; and two to be designated by the representative bodies of the commercial sector.

The General Customs Office of the Ministry of Economics, Finance and Trade will serve as the commission's Technical Secretariat.

#### Raw Materials

The draft Law on Industries states that traditional raw materials exports should serve primarily to supply national industry.

The sales price of such raw materials when sold to national industries should be based on international prices, and cannot be higher than the lowest price at which such materials are exported, deducting costs such as international freight, insurance, shipping costs and others which are incurred while sending such raw materials to foreign markets.

The legal measure adds that under no circumstances may the terms of sale abroad be more favorable than those granted to national industries.

Moreover, imported inputs for manufacturing will under no circumstances pay the same or higher tariffs than imported finished goods similar to those manufactured with such inputs by national industries.

The virtual Law on Industries has another series of provisions that have been supported by the different business sectors.

It states that natural or juridical persons dedicated to industrial production must register with the Industrial Registry.

In order to sign up with the Industrial Registry, a business must certify that its facilities are in legally approved conditions for beginning production, and it must present proof of authorization by the competent agencies for location and use.

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